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No. 06-485

IN THE

Supreme Court of the United States

TIVO INC.,

Petitioner,

v.

ECHOSTAR COMMUNICATIONS CORP., *ET AL.*

Respondents.

TIVO INC.,

Petitioner,

v.

HOMER KNEARL, *ET AL.*

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

When a defendant asserts reliance on advice of counsel to defend against charges of willful misconduct, does the work product protection of Federal Rule of Civil Procedure 26(b)(3) absolutely bar discovery of documents that were not disclosed to the defendant but that may reveal bias or other inadequacies in the opinion provided by counsel?

RULE 29.6 STATEMENT

Petitioner TiVo Inc. does not have a parent company, nor does any publicly held company own more than 10% of its stock.

PARTIES TO THE PROCEEDINGS

Petitioner TiVo Inc. was the real party in interest and the sole respondent in the court below. Respondents EchoStar Communications Corp.; EchoStar DBS Corp.; EchoStar Technologies Corp.; EchoStar Limited Liability Co.; Merchant & Gould, P.C.; and Homer Knearl were the petitioners in the court below.

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PETITION FOR A WRIT OF CERTIORARI

TiVo Inc. respectfully petitions for a writ of certiorari to review the orders of the United States Court of Appeals for the Federal Circuit in these cases.

OPINIONS BELOW

The opinion of the court of appeals in *In re EchoStar* (App. 1a-18a) is reported at 448 F.3d 1294. The opinion of the court of appeals in *In re Knearl* (App. 19a-22a) is unreported. The opinions of the United States District Court for the Eastern District of Texas in *TiVo Inc. v. EchoStar Comm. Corp.*, Case No. 2:04-CV-1 (DF) which were

reversed in part by *In re EchoStar* issued on October 6, 2005 (App. 23a-28a) and September 25, 2005 (App. 29a-44a), and are unreported. The opinion of the United States District Court for the Northern District of Georgia in *TiVo Inc. v. EchoStar Comm. Corp.*, Case No. 1:05-CV-2799-WSD which was reversed in part by *In re Knearl* (App. 45a-49a) is unreported.

Following the court of appeals' decisions in *In re EchoStar* and *In re Knearl*, the Texas and Georgia district courts issued orders (App. 50a-51a and 52a-55a, respectively), which are unreported. The Texas district court's orders denying enhanced damages (App. 56a-67a), entering a permanent injunction against EchoStar (App. 68a-81a), and entering an amended judgment (App. 82a-85a) are all unreported. The court of appeals' orders denying TiVo's petitions for rehearing in *In re EchoStar* and *In re Knearl* (App. 86a-87a and App. 88a-89a, respectively), are unreported.

JURISDICTION

Jurisdiction in the district courts was invoked under 28 U.S.C. § 1331 and 28 U.S.C. § 1338. The court of appeals granted a petition for writ of mandamus in *In re EchoStar* on May 1, 2006. A petition for rehearing was denied on July 5, 2006. The court of appeals granted a petition for writ of mandamus in *In re Knearl* on May 8, 2006. A petition for rehearing was denied on July 5, 2006. The jurisdiction of this court is invoked under 28 U.S.C. § 1254.

RULES AND STATUTES INVOLVED

Federal Rule of Civil Procedure 26(b)(1)

In General. Parties may obtain discovery regarding any matter, not privileged, that is relevant to the claim or defense of any party, including the existence, description, nature, custody, condition, and location of any books, documents, or

other tangible things and the identity and location of persons having knowledge of any discoverable matter. For good cause, the court may order discovery of any matter relevant to the subject matter involved in the action. Relevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence. All discovery is subject to the limitations imposed by Rule 26(b)(2)(i), (ii), and (iii).

Federal Rule of Civil Procedure 26(b)(3)

Trial Preparation: Materials. Subject to the provisions of subdivision (b)(4) of this rule, a party may obtain discovery of documents and tangible things otherwise discoverable under subdivision (b)(1) of this rule and prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent) only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means. In ordering discovery of such materials when the required showing has been made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation....

35 U.S.C. § 284. Damages

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the

damages up to three times the amount found or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154(d) of this title.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

35 U.S.C. § 285. Attorney fees

The court in exceptional cases may award reasonable attorney fees to the prevailing party.

STATEMENT OF THE CASE

TiVo Inc. ("TiVo") is an innovative start-up enterprise and a leading provider of digital video recording ("DVR") technology and services. TiVo is the owner of U.S. Patent No. 6,233,389 (the "'389 patent"), issued on May 15, 2001.

On January 5, 2004, after fruitless efforts to negotiate a reasonable commercial relationship, TiVo sued its direct competitor, EchoStar Communications Corp. and several of its affiliates (collectively, "EchoStar") for patent infringement. After a two-week trial in the United States District Court for the Eastern District of Texas, the jury, on April 13, 2006, found that EchoStar had willfully infringed TiVo's '389 patent. The district court entered an injunction against future infringement, expressly finding that EchoStar's infringement was causing TiVo irreparable injury every day that it continued. App. 77a-78a. Despite the jury's finding of willful infringement and the court's finding of irreparable injury, the district court denied TiVo's request for enhanced damages and attorneys' fees. App. 56a-67a. The district court denied these requests largely because of two "opinion" letters that EchoStar had obtained from outside non-litigation counsel at the law firm of Merchant & Gould, PC (the "M&G opinion letters") more than a year after the litigation had commenced. App. 63a-65a. The

district court concluded that the M&G opinion letters demonstrated that EchoStar had not acted in "bad faith" notwithstanding the jury's finding of willfulness. App. 65a.

TiVo, however, had never had the opportunity to obtain discovery necessary to impeach the reliability and independence of these opinions. When EchoStar and its non-litigation counsel refused to provide full discovery related to EchoStar's advice-of-counsel defense, two separate district courts entered orders requiring such disclosure. The United States Court of Appeals for the Federal Circuit, however, ruled categorically that documents of non-litigation opinion counsel that are not communicated to the client are "not discoverable" even when the client places advice of counsel at issue in the litigation. It is the Federal Circuit's decisions barring TiVo's fair access to these discovery materials and adopting a far reaching interpretation of the work product protections of Federal Rule of Civil Procedure 26(b)(3) that is at issue in this petition.

1. *Discovery proceedings in Texas:* TiVo's initial complaint included an allegation of willful infringement. App. 30a. EchoStar denied the allegation both as to infringement and willfulness. Discovery commenced. On March 22, 2004, TiVo issued requests for production of documents pursuant to Federal Rule of Civil Procedure 34, seeking documents related to any opinion of counsel that EchoStar sought regarding possible infringement of the '389 patent. EchoStar objected to such discovery and refused to disclose whether it was going to rely on an advice-of-counsel defense at trial. In response to TiVo's motion to compel, EchoStar finally agreed that it would disclose whether it would assert such a defense on June 16, 2005, just a few weeks before the close of fact discovery on July 7, 2005. App. 30a.

On the appointed day, EchoStar announced that it would be relying on advice of counsel to rebut TiVo's charge of willful infringement. App. 30a. EchoStar indicated that it was relying only on an oral opinion from its in-house patent attorney, Kerry Miller. App. 30a. Through further discovery, however, TiVo learned that EchoStar had sought and received legal advice with respect to its obligation not to infringe the '389 patent from two separate sources outside the company, in addition to receiving Mr. Kerry's opinion. App. at 30a-31a.

Before TiVo filed suit, one set of outside lawyers – Frank Becking and Alan Cannon of Bozicevic, Field, & Frances, LLP – gave EchoStar an oral opinion relating to infringement. App. 31a. But Messrs. Becking and Cannon declined to provide a written opinion because EchoStar never provided these attorneys with the technical information they requested in their attempt to fully analyze EchoStar's activities. App. 31a.

Years later – and more than a year after the litigation commenced – EchoStar obtained two opinion letters from Merchant & Gould, analyzing whether EchoStar was infringing the '389 patent. App. 31a.[1]

Despite its assertion that it would seek to rebut TiVo's charge of willful infringement by relying on an advice-of-counsel defense, EchoStar refused to produce either the M&G opinion letters themselves or documents relating to those opinions under the view that its reliance on the advice of in-house counsel did not place at issue possibly conflicting advice that it had received from outside non-litigation counsel. App. 31a. EchoStar also failed to

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[1] The outside lawyers who provided the advice were not litigation counsel to EchoStar. EchoStar was represented in the trial by the law firm of Morrison & Foerster LLP. TiVo never sought discovery regarding Morrison & Foerster's litigation-related advice to EchoStar.

produce a privilege log, as required by Federal Rule of Civil Procedure 26(b)(5), identifying all of the documents from Merchant & Gould that it contended remained privileged or entitled to work product protection despite its assertion of an advice-of-counsel defense.

On July 28, 2005, TiVo filed another motion in the United States District Court for the Eastern District of Texas to compel the production of documents and depositions of witnesses relating to all opinions EchoStar had sought from in-house or outside opinion counsel. The Texas district court ruled in TiVo's favor, finding that once EchoStar placed legal advice in issue by asserting an advice-of-counsel defense, materials relating to that advice were discoverable. App. 41a. As the district court found, EchoStar was not obligated to raise an advice-of-counsel defense:

> But once EchoStar chose to introduce the opinion [of its in-house counsel], it opened to inspection all related advice sought and developed regarding EchoStar's potential infringement of the '389 patent. Regardless of when the opinions or materials were transcribed or communicated to EchoStar, such information necessarily relates to the opinion being offered by Mr. Miller and goes to show EchoStar's state of mind with respect to willful infringement. This is particularly true where, as is the case here, EchoStar's willfulness witness was privy to the substance of the willfulness opinions developed by outside counsel both pre- and post-filing.

App. 42a. The district court took care to protect against disclosure of EchoStar's litigation strategy, allowing EchoStar to "redact any information that ... it considers primarily related to trial strategy." App. 42a-43a.

EchoStar thereafter produced some materials that it had received from Merchant & Gould, including two written

opinion letters. Despite the district court's order to produce "all notes . . . or other documentation" relating to such opinions, App. 43a, EchoStar continued to refuse to produce large numbers of Merchant & Gould documents on the basis that they had not been sent to EchoStar. App. 24a.

The district court thereafter issued a clarifying order requiring EchoStar "to produce all documents and materials created at or by the Merchant & Gould firm related to any infringement analysis of the '389 patent, whether or not communicated [to] EchoStar and whether or not in EchoStar's actual possession as of October 6, 2005." App. 27a. The Texas district court agreed with prior cases that found a need for discovery of uncommunicated work product when a defendant asserts an advice-of-counsel defense:

> [I]t would be fair to examine the client about what was in the attorney's files for the purposes of ascertaining whether, even if the negative documents were not disclosed to the client, the information in the documents had been revealed... Not all information conveyed to a client is neatly reflected in a transmittal letter or in a memorandum specifically directed to the client. The practical reality is that if negative information was important enough to reduce to a memorandum, there is a reasonable possibility that the information was conveyed in some form or fashion to the client.

App. 25a. In describing TiVo's need for the discovery, the court reasoned that "[w]ere discovery of 'uncommunicated' materials not allowed, accused infringers could easily shield themselves from disclosing any unfavorable analysis by simply requesting that their opinion counsel not send it. This would be unfair." App. 25a-26a. Consistent with its analysis of Rule 26(b)(3), the district court continued to protect EchoStar's litigation strategy by allowing EchoStar

to "redact any information ... that it considers primarily related to trial strategy." App. 27a-28a.

EchoStar thereafter filed a petition for a writ of mandamus to the Federal Circuit, seeking review of the Texas district court's discovery order. App. 1a. The law firm of Merchant & Gould later intervened on appeal and filed its own petition for writ of mandamus. App. 1a-2a. EchoStar continued to withhold documents, asserting that it was only withholding documents that had not been communicated to EchoStar.

2. *Third-party discovery:* Meanwhile, TiVo also sought to obtain documents relating to the opinions of EchoStar's non-litigation counsel directly from opinion counsel. TiVo served upon Homer Knearl, the attorney who had signed the M&G opinion letters, a subpoena issued from the United States District Court for the Northern District of Georgia.[2] EchoStar and Mr. Knearl moved to quash, which TiVo opposed. On February 13, 2006, the Georgia district court ordered EchoStar and Mr. Knearl to produce the withheld documents for an *in camera* inspection. App. 45a-46a. Even though the court "asked, and even encouraged, counsel for Mr. Knearl to consider whether he wanted this Court to stay consideration of the motion to quash pending a decision from the Federal Circuit" in *In re EchoStar*, EchoStar and Mr. Knearl pressed the Georgia court to rule. App. 45a n.1.

Following the *in camera* inspection, and after considering all of the arguments of the parties – including EchoStar and Mr. Knearl's argument that TiVo had not shown sufficient need for the documents to compel their

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[2] TiVo also served a subpoena on Merchant & Gould, issued from the United States District Court for the District of Colorado. EchoStar and Merchant & Gould moved to quash, which TiVo opposed. The Colorado court denied the motion without prejudice pending a ruling from the Federal Circuit Court of Appeals. Merchant & Gould has not renewed its motion to quash following the Federal Circuit's ruling.

disclosure – the district court in Georgia ruled in favor of TiVo. As the court stated:

> In any case where a legal opinion is offered as a defense to a claim, the possibility exists that the lawyer who drafted the opinion did so in such a way simply to support the requesting client's litigation position in a case. The party against whom the opinion is offered is entitled to investigate the integrity and objectivity of the opinion and specifically whether bias in favor of the party requesting it influenced the conclusions reached.

App. 47a. On March 3, 2006, EchoStar and Mr. Knearl filed another petition for a writ of mandamus to the Federal Circuit. App. 19a. The parties informed the Federal Circuit that trial was scheduled to begin on March 27, 2006, but the Federal Circuit did not rule on the pending writ petitions until May 2006, after the jury had rendered its verdict.

3. *The trial:* On April 13, 2006, the jury found that EchoStar had willfully infringed nine separate claims of TiVo's patent. The jury awarded TiVo damages of nearly $74 million. App. 57a. The damages were based on lost profits and reasonable royalty and did not include any enhancement based on the willfulness finding, as such enhancement is by law a matter for the court. 35 U.S.C. § 284. Although EchoStar had asserted during pre-trial proceedings that it was not relying on the M&G opinion letters, it sought to introduce the letters and testimony about the letters at trial. TiVo argued that such evidence should not be admitted because EchoStar had prevented TiVo from completing willfulness-related discovery, and the district court excluded such evidence from trial. App. 63a-64a.

4. *The Federal Circuit's rulings:* Soon after the jury's verdict, the United States Court of Appeals for the Federal Circuit affirmed the rulings of the Texas and Georgia district courts in substantial part but reversed both courts as to

materials in the files of Merchant & Gould that had not been communicated to EchoStar and that did not reflect the substance of such communications (hereinafter referred to as "uncommunicated materials"). App. 1a-18a. In so doing, the Federal Circuit established an absolute prohibition on the discoverability of uncommunicated "work product" of non-litigation counsel – even though such materials were created in connection with the development of an opinion of counsel to be used as part of an advice-of-counsel defense. App. 14a-15a.

According to the broad holding of the Federal Circuit, such uncommunicated materials are *per se* "not discoverable." App. 14a. As a basis for its holding, the court ruled that "work-product waiver extends only so far as to inform the court of the *infringer's* state of mind." App. 14a. Building on this premise, the court reasoned that, after the attorney-client privilege is waived, work-product materials that are communicated to the client "become evidence of a non-privileged, relevant fact, namely what was communicated to the client." App. 15a. While the court implicitly recognized that uncommunicated materials met the broad discoverability standards under Rule 26(b)(1) because they could provide some "assistance to the court in determining whether the accused knew it was infringing," the court stated that "the policies supporting the work-product doctrine" nonetheless did not permit discovery concerning such materials. App. 15a.

The Federal Circuit also acknowledged that the focus of Rule 26(b)(3) is to protect mental impressions concerning "litigation strategies," App. 14a, but nonetheless concluded that the policies underlying the Rule applied with equal force to the mental impressions of counsel retained to advise on non-litigation matters. App. 11a (quoting Rule 26(b)(3) but omitting language providing heightened protection for opinions "concerning the litigation"). As noted above, the

Texas district court orders, which the Federal Circuit reversed in part, already provided for redaction of information "primarily related to trial strategy." App. 27a-28a.

Based on its conclusion that the policies underlying the work product doctrine apply equally to litigation and non-litigation advice, the court of appeals created a bright-line rule barring discovery of any uncommunicated work product, providing no discretion for district courts to determine on a case-by-case basis whether the need for the uncommunicated materials in particular circumstances outweighed the policies supporting the work product doctrine. One consequence of this categorical rule is that it immunizes from discovery material that could be used to jog the memory of opinion counsel and/or the client as to communications that occurred without a written memorandum – material that is clearly relevant and admissible under *In re EchoStar*. Moreover, it also prohibits discovery of uncommunicated material that could reveal that the opinion counsel did not perform an independent review, but rather was biased in favor of the client. Bias is always relevant in litigation, particularly more so here given that the M&G opinion letters were not even requested until after litigation was underway and were not completed until well over a year after TiVo filed suit. App. 30a, 60a.

The Federal Circuit repeated and applied its rigid rule one week later in *In re Knearl*. There, even though the Georgia district court had required production of documents following a careful *in camera* review so that TiVo could determine whether litigation bias influenced the opinion, the Federal Circuit held that the decision conflicted with *In re EchoStar*:

> [T]o the extent that the district court directed Knearl to produce documents that were not previously communicated to EchoStar because the documents

> might show that counsel's opinion changed before counsel communicated the opinion to the client, or because counsel might have been disposed to write a favorable opinion, the court's order conflicts with our *EchoStar* order.

App. 21a. The Federal Circuit restated its *EchoStar* holding in categorical terms: "In *EchoStar*, we held that opinion work product 'which is never communicated to the client [] is not discoverable.'" App. 21a.

5. *Discovery orders following the Federal Circuit's decisions*: Following *In re EchoStar* and *In re Knearl*, the Texas and Georgia district courts entered new orders vacating their previous orders and requiring EchoStar and Mr. Knearl to produce responsive documents excluding uncommunicated work product. App. 50a-55a. The Georgia district court further ordered EchoStar and Mr. Knearl to produce a privilege log of all withheld documents and to submit them to the court for another *in camera* review. App. 54a-55a. Despite its prior representation that it was withholding only uncommunicated materials, EchoStar and Mr. Knearl produced, after trial, a privilege log and additional documents that included communications between EchoStar and Merchant & Gould. EchoStar continues to withhold other documents including the allegedly uncommunicated materials.

6. *Post-trial motions*: On August 17, 2006, the Texas district court entered an order enjoining EchoStar from infringing TiVo's patent and denying EchoStar's motion to stay the injunction pending appeal.[3] Despite the jury's

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[3] One day later, EchoStar moved the Federal Circuit to stay the injunction pending appeal. TiVo opposed the motion. The court of appeals entered an interim stay pending full consideration of the motion to stay. Despite the Texas district court's finding that EchoStar's continued infringement irreparably harms TiVo due to the unique nature of the DVR business and the specific facts of this case, the interim stay

finding of willful infringement, on August 17, 2006, the Texas district court declined to enhance damages as permitted by 35 U.S.C. § 284. App. 56a-67a. The district court also declined to award TiVo attorneys' fees based on the exceptional nature of this case pursuant to 35 U.S.C. § 285. App. 66a-67a. The principal basis for these rulings was the district court's impression that the M&G opinion letters, which TiVo did not have the opportunity to impeach given the Federal Circuit's rulings, supported EchoStar's contention that its infringement had not been in "bad faith." App. 64a-65a.

In another post-trial motion, and in its motion to stay the injunction to the Federal Circuit, EchoStar has relied on the Federal Circuit's *In re EchoStar* ruling in contending that it was prejudiced by the exclusion of the M&G opinion letters at trial.

REASONS FOR GRANTING THE PETITION

I. THE FEDERAL CIRCUIT RULE CONFLICTS WITH DECISIONS OF OTHER CIRCUITS AND EXPANDS WORK PRODUCT PROTECTION BEYOND THE LIMITS OF FEDERAL RULE OF CIVIL PROCEDURE 26.

A. The Focus Of The Work-Product Doctrine Is To Protect Against Disclosure Of Trial Preparation Materials

Work product protection serves to protect a party's litigation strategies, not to prevent the other party from fact gathering necessary to try its case. In the foundational case

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has now been in place for six weeks with no substantive ruling on the motion. *TiVo Inc. v. EchoStar Comm. Corp.*, Docket No. 2006-1574 (Fed. Cir.).

on work product protection – *Hickman v. Taylor* – this Court addressed whether the plaintiff could obtain notes from witness interviews made by counsel that was hired to defend against potential claims. 329 U.S. 495, 499-500 (1947). In that situation, the Court was "dealing with an attempt to secure the production of written statements and mental impressions contained in the files and the mind of the attorney [] without any showing of necessity or any indication or claim that denial of such production would unduly prejudice the preparation of petitioner's case or cause him any hardship or injustice." *Id.* at 509.

The Court found that unfettered access to the adverse counsel's files was contrary to public policy because "proper preparation of a client's case demands that [litigation counsel] assemble information, sift what he considers to be the relevant from the irrelevant facts, prepare his legal theories and plan his strategy without undue and needless interference." *Id.* at 510-11. In fact, disclosing trial counsel's notes "would make the attorney much less an officer of the court and much more an ordinary witness." *Id.* at 513. As the Court observed, this policy does not inhibit fact gathering because all of the underlying facts could still be discovered through document requests, interrogatories, and witness interviews. *Id.* Indeed, the petitioner in *Hickman* freely admitted that he sought the work product only "to help prepare himself to examine witnesses and to make sure that he has overlooked nothing." *Id.*

Because of the limited purposes of work product protection and the countervailing need to enable both parties to have access to information relevant to their claims and defenses, the Court declined to adopt a rule that "all written materials obtained or prepared by an adversary's counsel with an eye toward litigation are necessarily free from discovery in all cases." *Id.* at 511. Instead, "where relevant and non-privileged facts remain hidden in an attorney's file

and where production of those facts is essential to the preparation of one's case, discovery may properly be had." *Id.* The Court found that properly discovered material from the attorney's file could be used in many ways – it could be admissible as evidence, it might be likely to lead to the discovery of admissible evidence, or it might be "useful for impeachment or corroboration." *Id.*

This Court's opinion in *Hickman* led to the adoption of Federal Rule of Civil Procedure 26(b)(3), which provides that

> a party may obtain discovery of documents and tangible things ... prepared in anticipation of litigation or for trial ... only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means.

Fed. R. Civ. P. 26(b)(3). When a party shows substantial need under the Rule, "the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation." *Id.* Thus, Rule 26(b)(3) distinguishes between the protection afforded ordinary or fact work product and so-called "opinion" work product that is created by the attorney concerning the litigation. *See, e.g.*, 6 JAMES WM. MOORE ET AL., MOORE'S FEDERAL PRACTICE § 26.70[5][b] (2006) (describing different types of work product). The Rule, however, does not state that such protection is absolute. Nor does it specify the degree of protection that is adequate.

B. Supreme Court Cases Concerning Rule 26(b)(3) Emphasize That Work-Product Protection Is Not Absolute.

Following the adoption of Rule 26(b)(3), this Court further defined the boundaries of work product protection. In *United States v. Nobles*, the Court considered whether a party could put work-product at issue while at the same time withholding other materials on the same subject. 422 U.S. 225, 236-240 (1975). Specifically, defendant's counsel attempted to introduce work product testimony from the attorney's investigator while withholding the investigator's notes based on alleged work product protection. *Id.* at 239. The Court rejected this proposition because "[t]he privilege derived from the work-product doctrine is not absolute. Like other qualified privileges, it may be waived." *Id.* "[B]y electing to present the investigator as a witness, [defendant] waived the privilege with respect to matters covered in [the investigator's] testimony." *Id.* Thus, when "counsel attempts to make a testimonial use of these materials the normal rules of evidence come into play with respect to cross-examination and production of documents." *Id.* at 240 n.14.

Six years later, in *Upjohn Co. v. United States*, this Court again addressed whether disclosure of an attorney's notes and memoranda of client interviews concerning anticipated litigation were subject to work-product protection. 449 U.S. 383, 397-402 (1981). *Upjohn* did not concern allegations of bad faith or other allegations that placed an attorney's advice at issue. On the facts before it, the Court held that the party seeking discovery had not made an adequate showing to justify disclosure of the work product materials. *Id.* at 402. The Court recognized that Rule 26(b)(3) affords greater protection for work product containing mental impressions of the attorney preparing for litigation, than for purely factual material. *Id.* at 400. The

Court expressly left open the question whether such heightened protection was absolute or whether it could be overcome in appropriate circumstances. *Id.* at 401.

C. The Federal Circuit Takes An Extreme View On The Issue Left Open In *Upjohn* In Conflict With The More Flexible Approach Of Other Circuits.

As discussed above, the Federal Circuit concluded in *EchoStar* that mental impression work product that is generated by an attorney in the course of drafting an opinion containing legal advice but not communicated to the client is *per se* "not discoverable," even where the client invokes advice of counsel as a defense. App. 14a-15a. *In re Knearl* issued one week later and confirmed the Federal Circuit's categorical rule. App. 21a ("In *EchoStar*, we held that opinion work product 'which is never communicated to the client [] is not discoverable.'"). The Federal Circuit's inflexible position provides absolute protection not just for the opinions of attorneys handling infringement litigation, but for any attorney advising the company on its legal obligations, even when the company's state of mind and the legal advice it received are at issue in the litigation.

The Federal Circuit's absolute rule conflicts directly with the decisions of other circuit courts. The Ninth Circuit, for example, has concluded that Rule 26(b)(3) "permits discovery [of opinion work product] when mental impressions are the pivotal issue in the current litigation and the need for the material is compelling." *Holmgren v. State Farm Mut. Auto. Ins. Co.*, 976 F.2d 573, 577 (9th Cir. 1992) (in suit asserting bad faith settlement of an insurance claim against insurer, district court correctly required production of memoranda drafted during coverage litigation by insurance adjuster). The *Holmgren* court reasoned that,

> [t]he Supreme Court, in 1946, rejected a proposed amendment to Rule 30(b) that would have given

> opinion work product absolute protection. *See Report of Proposed Amendments to Rules of Civil Procedure*, 5 F.R.D. 433, 456-57 (1946); Order dated December 27, 1946, 329 U.S. 843 (1946) (omitting reference to Rule 30(b) amendment in enumeration of amendments to rules adopted). That rejection, followed closely by the *Hickman* decision, which ordained a case-by-case approach to work product questions, suggests that the Court did not view the mandatory language of Rule 26(b)(3) as demanding absolute protection of opinion work product.

Holmgren, 976 F.2d at 577.

Following this logic, the *Holmgren* court explicitly disagreed with an earlier Fourth Circuit decision, which had denied all discovery of opinion work product (a position similar to that adopted by the Federal Circuit in *In re EchoStar*). *Id.* The Fourth Circuit decision, *Duplan Corp. v. Moulinage et Retorderie de Chavanoz*, 509 F.2d 730 (4th Cir. 1974), had held that "no showing of relevance, substantial need or undue hardship should justify compelled disclosure of an attorney's mental impressions, conclusions, opinions or legal theories." *Id.* at 734. *See also In re Allen*, 106 F.3d 582, 607 (4th Cir. 1997) ("[i]f material constitutes opinion work product it is 'absolutely immune from discovery'").

Other courts have followed the Ninth Circuit's lead, rejecting absolute protection in favor of a more nuanced rule that allows discovery of opinion work product under certain circumstances. *See In re Cendant Corp. Sec. Litigation*, 343 F.3d 658, 664 (3d Cir. 2003) ("[W]e have held that opinion work product protection is not absolute, but requires a heightened showing of extraordinary circumstances"); *Logan v. Commercial Union Ins. Co.*, 96 F.3d 971, 977 (7th Cir. 1996) (citing *Holmgren* favorably, but finding that

documents at issue were not discoverable nonetheless because the plaintiff failed to make the requisite showing of need); *In re Antitrust Grand Jury*, 805 F.2d 155, 164 (6th Cir. 1986) (recognizing that the opinion work product protection is not absolute).

The existence of this split in authority on the discoverability of opinion work product is widely recognized. *See United States v. Adlman*, 134 F.3d 1194, 1204 (2d Cir. 1998); *Frontier Refining, Inc. v. Gorman-Rupp Co.*, 136 F.3d 695, 704 n.12 (10th Cir. 1998); 6 JAMES WM. MOORE ET AL., MOORE'S FEDERAL PRACTICE § 26.70[5][e] (2006); 8 CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 2026 (2006) (recognizing split and stating that lower courts have found disclosure of opinion work product "justified principally where the material is directly at issue").

In addition, commentators favor flexibility, especially when the attorney's mental impressions or opinions are at issue in the litigation. *See* 6 JAMES WM. MOORE ET AL., MOORE'S FEDERAL PRACTICE § 26.70[5][e] (2006) (identifying the Ninth Circuit's approach, as opposed to the absolute protection standard, as "the better rule"); EDNA EPSTEIN, THE ATTORNEY-CLIENT PRIVILEGE AND THE WORK-PRODUCT DOCTRINE 570-72 (4th ed. Supp. 2004) (recognizing that "protection of opinion work product is not absolute" and that it can be overcome "when an effective 'waiver' has occurred by virtue of putting the attorney's mental impressions at issue in the litigation itself").

The absolute protection granted by the Fourth and Federal Circuits does not reflect reality in the context of an advice-of-counsel defense to a claim of willful infringement. If an opinion of counsel is to have decisive weight in rebutting a charge of willful infringement, it can only be where the "opinion" counsel gives unbiased, independent legal advice regarding the legal obligation of the client to

avoid infringement. *See Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983), *overruled in part on other grounds by Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) (en banc) (willfulness inquiry involves deciding whether defendant was "justified in believing [opinion counsel] was capable of rendering an independent and competent opinion."). If "opinion" counsel approaches his or her task as instead crafting the best defense available for purposes of the litigation, the attorney has lost his or her independent, compliance-oriented role and is simply creating facts to support the client's position. In this case, for example, EchoStar asserts that it hired Merchant & Gould to provide independent legal advice as to whether EchoStar was satisfying its legal obligations with respect to the '389 patent. If Merchant & Gould's independence was compromised, that fact would be material to the issue of reasonable reliance on advice of counsel and is at least likely to lead to the discovery of admissible evidence. *Cf. Holmgren*, 976 F.2d at 577 ("the rule permits discovery when mental impressions are the pivotal issue in the current litigation").

The district court judges in this case recognized that it simply is not possible to evaluate the question of reasonable reliance without obtaining access to Merchant & Gould's uncommunicated work product. App. 25a-26a, 47a-48a. The Federal Circuit in *EchoStar* even acknowledged "the possibility of ethical transgressions" in which "some parties would communicate draft opinion letters or the contents thereof to the client confidentially in order to avoid disclosing that communication during potential discovery if and when the attorney-client privilege is waived." App. 17a. The court considered itself unable to guard against such transgressions without "eviscerat[ing] the legitimate policies of the work-product doctrine and chill[ing] the principles of

our adversary system as a whole." *Id.* The court did not explain, however, why a case-by-case analysis could not effectively guard against abuse. Nor did the court explain why the policies of the work product doctrine and the "adversary system as a whole" require this broad protection for attorneys, who at least by hypothesis, are hired to provide independent legal advice rather than advocate the client's litigation position.

The reality is that it is wholly up to the client whether to make the work of opinion counsel – including such counsel's independence or bias – relevant by asserting an advice-of-counsel defense. The client can do so after reviewing all of the documents in opinion counsel's possession, both those previously communicated and those that had not been so communicated. But if discovery of such documents is off-limits to the other side, the client can use an opinion of counsel as a sword against enhanced damages while preventing effective cross-examination. In light of this danger, a less rigid rule than that adopted by the Federal Circuit would strengthen the adversary process, not undermine it.

In this case, EchoStar obtained the M&G opinion letters after the litigation had commenced, App. 30a, and the Georgia district court – the only court that has reviewed the relevant materials *in camera* – noted the possibility that the uncommunicated work product might demonstrate bias relating to the litigation. App. 46a-47a. Thus, the facts of this case present a compelling set of circumstances justifying the production of the uncommunicated materials.

The flexible rule adopted by the Third, Sixth, Seventh and Ninth Circuits would address that reality by allowing discovery of Merchant & Gould's opinion work product upon a showing of compelling need. The rule adopted by the Federal Circuit, by contrast, does not. Guidance from this Court is necessary to resolve this conflict of authority.

II. THE FEDERAL CIRCUIT'S EXPANSIVE TREATMENT OF THE WORK PRODUCT DOCTRINE CONCERNS AN IMPORTANT AND UNSETTLED FEDERAL QUESTION.

A. Whether There Is Absolute Protection For The Mental Impressions Of An Attorney Is An Important Question Of Law That This Court Has Not Resolved.

The Federal Circuit's decisions present a question explicitly left open by this Court in *Upjohn*, namely the level of protection accorded to opinion work product. Although noting that circuit courts had split on whether a showing of necessity can overcome protection for work product that reveals an attorney's mental processes, the *Upjohn* Court found that the facts of that particular case did not require it to resolve the disagreement. 449 U.S. at 401-02. The Court did caution, however, that "we are not prepared at this juncture to say that such material is always protected by the work-product rule." *Id.* at 401. Over the ensuing twenty-five years, this issue has been a subject of frequent litigation and has continued to divide circuit and district courts. The Federal Circuit's rigid approach is also significant because it undermines the search for truth that is at the foundation of our adversary system.

B. The Federal Circuit's Rule Conflicts With Important Principles Governing The Use Of Privileges And The Broad Discovery Policies Underlying Rule 26.

Under the Federal Rules of Civil Procedure, access to information that is relevant to a party's claim or defense is broadly allowed. *See* Fed. R. Civ. P. 26(b)(1) (allowing discovery that "appears reasonably calculated to lead to the

discovery of admissible evidence."). It is axiomatic that privileges are to be narrowly construed because they inhibit the search for truth. *United States v. Nixon*, 418 U.S. 683, 709-10 (1974) ("Whatever their origins, [privileges from disclosure] are not lightly created nor expansively construed, for they are in derogation of the search for truth."). In addition, "a litigant cannot use the work product doctrine as both a sword and shield by selectively using the privileged documents to prove a point but then invoking the privilege to prevent an opponent from challenging the assertion." *Frontier*, 136 F.3d at 704; *cf. Chevron Corp. v. Pennzoil Co.*, 974 F.2d 1156, 1162 (9th Cir. 1992) (attorney-client privilege "may not be used both as a sword and a shield"); *United States v. Bilzerian*, 926 F.2d 1285, 1292 (2d Cir. 1991) (same).

The Federal Circuit rule defies these principles. It allows a party to present to the jury the mental impressions and opinions of its legal advisors but denies the adverse party the ability to impeach such evidence by demontrating bias or other inadequacies of the opinion that may be revealed through the attorney's internal documents. The Federal Circuit allowed EchoStar to use such a sword-and-shield approach notwithstanding the contrary views of two separate district court judges, who had exercised their broad discretion on the facts and circumstances of the case to allow the discovery. App. 27a, 47a. Following an *in camera* review, one of the judges concluded that the material "may permit TiVo to investigate the objectivity and credibility of [counsel's] legal analysis" and "whether there was any litigation bias reflected in it." App. 47a. The material may reveal whether Merchant & Gould communicated directly with litigation counsel in order to lend credence to EchoStar's litigation positions or lead to the discovery of otherwise unavailable evidence of what was communicated to the client. For example, even if a document does not

disclose on its face that it was communicated to the client and does not reference attorney-client communications, an attorney reviewing the document in a deposition may be able to recall that in fact he or she did talk to the client about the matters discussed in the document.

The Federal Circuit's blanket rule ties the hands of a trial judge who determines based on a review of the material that it may lead to discovery of important admissible evidence concerning bias, a matter solely in the control of the defendant and its counsel, and that the party seeking discovery has a need for it. This drastic result shields from discovery not only mental impression work product that *analyzes* facts at issue, but also work product that could itself be *material evidence* of such facts, including the "integrity and objectivity," App. 47a, of an opinion letter put at issue by the same party asserting work product protection.

Instead of furthering the goals of protecting work product, which is to allow litigation counsel to prepare its case for trial without undue interference by its adversaries, *see Hickman*, 329 U.S. at 511 ("[p]roper preparation of a client's case demands that he . . . prepare his legal theories and plan his strategy without undue and needles interference"), the Federal Circuit's rule furthers a charade in which an infringer can present a legal opinion to a jury as if it were strictly independent, when in fact the lawyer had taken on an advocacy role. Whether discovery rules should prepertrate a regime in which patent infringers can present legal opinions under the guise of being independent – while in fact they are the result of bias – is an important legal question that this Court should resolve.

The more flexible "compelling need" standard adopted by other circuits demonstrates that the work product doctrine demands no such result. That standard harmonizes the broad scope of discovery contemplated by Rule 26(b)(1), *see e.g.*, *Hickman*, 329 U.S. at 507 (discovery rules "are to be

accorded a broad and liberal treatment"), with the work product protections set forth in Rule 26(b)(3). Specifically, it recognizes that opinion work product is entitled to heightened protection but that there are some circumstances in which disclosure of the work product is the only way for the opposing party to develop its case as necessary in our adversary system. Particularly in a situation like the one in this case, where the opinion work product was prepared by opinion counsel after the litigation began, and the risk of bias is greatest, that outcome is the most reasonable one.

The prejudicial effect of the Federal Circuit's rule is apparent on the facts of this case. Because of the Federal Circuit's discovery ruling, the district court judge in Texas accepted the M&G opinion letters at face value in denying TiVo's motions for enhanced damages and attorneys fees. Had TiVo had access to the undisclosed materials from Merchant & Gould, it may well have been able to demontrate that any reliance EchoStar may have placed in those opinions was unreasonable, and the district court may have been persuaded to enhance damages or grant attorneys' fees accordingly. Because of the Federal Circuit's ruling, however, TiVo did not have that opportunity.

C. The Question Presented By The Federal Circuit's Decisions Is A Subject Of Frequent Litigation.

The question presented is also important because it is frequently litigated, particularly in patent cases. Prior to the Federal Circuit's recent decisions, there were many rulings and wide division about the discoverability of uncommunicated opinion work product in the context of an advise-of-counsel defense to willful infringement. *Compare, e.g., Beneficial Franchise Co., v. Bank One, N.A.*, 205 F.R.D. 212, 218 (N.D. Ill. 2001) (allowing discovery of uncommunicated work product); *Aspex Eyewear, Inc. v.*

E'lite Optik, Inc., 276 F. Supp. 2d 1084, 1093 (D. Nev. 2003) (same); *Novartis Pharm. Corp. v. Eon Labs Mfg., Inc.*, 206 F.R.D. 396, 398 (D. Del. 2002) (same); *with Simmons, Inc. v. Bombardier, Inc.*, 221 F.R.D. 4, 9 (D.D.C. 2004) (uncommunicated work product absolutely protected); *Chimie v. PPG Indus., Inc.*, 218 F.R.D. 416, 420 (D. Del. 2003) (same); *Thorn EMI N.Am., Inc. v. Micron Tech., Inc.*, 837 F. Supp. 616, 622-23 (D. Del. 1993) (same).

In the short time since the Federal Circuit's rulings in these cases, several district courts have concluded that as a matter of law uncommunicated opinion work product of opinion counsel is not discoverable even when advice of counsel is asserted to rebut an allegation of willful infringement. *See Affinion Net Patents, Inc. v. Maritz, Inc.*, 440 F. Supp. 2d 354, 356 (D. Del. July 18, 2006); *Beck Systems, Inc. v. Managesoft Corp.*, 2006 WL 2037356 (N.D. Ill. July 14, 2006); *see also Genentech, Inc. v. Insmed Inc.*, 2006 WL 2336484, at *3 (N.D. Cal. Aug. 10, 2006) (summarizing the *EchoStar* holding). The Federal Circuit's newly-adopted rule therefore has immediate and significant consequences for patent litigation across the country. This Court's review of that rule, which departs from the position taken by other circuits in analogous contexts, is thus necessary and urgently needed.

CONCLUSION

This Court should resolve the conflict in authority among federal circuit courts on the standard governing the discoverability of opinion work product. In addition, the question presented is frequently litigated and concerns an important question of law that this Court has not decided. The petition for certiorari should be granted.

Respectfully submitted,

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APPENDIX

Appendix A

United States Court of Appeals for the Federal Circuit

MISCELLANEOUS DOCKET NOS. 803, 805

IN RE ECHOSTAR COMMUNICATIONS CORPORATION, ECHOSTAR DBS CORPORATION, ECHOSTAR TECHNOLOGIES CORPORATION, and ECHOSPHERE LIMITED LIABILITY COMPANY,

Petitioners,

and

MERCHANT & GOULD P.C.,

Petitioner.

May 1, 2006

ORDER

EchoStar Communications Corporation, EchoStar DBS Corporation, EchoStar Technologies Corporation, and Echosphere Limited Liability Company (collectively "EchoStar") petition for a writ of mandamus, in Miscellaneous Docket No. 803, to direct the United States District Court for the Eastern District of Texas, in case 2:04-CV-1, to vacate its September 26, 2005 and October 6, 2005 orders that compelled EchoStar to produce documents created by the law firm Merchant & Gould P.C. that EchoStar asserts are protected from discovery by the work-product doctrine. Merchant & Gould moves for leave to intervene in Miscellaneous Docket No. 803 and submits its own petition for a writ of mandamus, filed as Miscellaneous

Docket No. 805. TiVo, Inc. opposes the petitions and responds to the motion for leave to intervene. EchoStar and Merchant & Gould reply. We grant Merchant & Gould's unopposed motion for leave to intervene in Miscellaneous Docket No. 803. The motions for leave to file the replies are also granted. To the extent set forth below, we grant the petition for mandamus.

I

TiVo sued EchoStar for infringement of its U.S. Patent No. 6,233,389 ("the '389 patent"). In response to the allegation of willful infringement, EchoStar asserted the defense of reliance on advice of counsel. Prior to the filing of the action, EchoStar relied on advice of in-house counsel. After the action was filed, EchoStar obtained additional legal advice from Merchant & Gould but elected not to rely on it. Presumably to explore further EchoStar's state of mind in determining that it did not infringe the patent, TiVo sought production of documents in the possession of EchoStar and Merchant & Gould. The district court held that by relying on advice of in-house counsel EchoStar waived its attorney-client privilege and attorney work-product immunity relating to advice of any counsel regarding infringement, including Merchant & Gould. The district court indicated that the scope of the waiver included communications made either before or after the filing of the complaint and any work product, whether or not the product was communicated to EchoStar. The district court also held that EchoStar could redact information related only to trial preparation or information unrelated to infringement. EchoStar produced communications, including two infringement opinions from Merchant & Gould, but did not produce any work product related to the Merchant & Gould opinions.[1]

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[1] EchoStar also provided notes and communications relating to infringement prepared by another firm.

Thereafter, the parties sought clarification of the district court's order. TiVo argued that the district court should order EchoStar to produce all Merchant & Gould documents that relate to the advice-of-counsel defense, even if EchoStar was not in possession of the documents because they were never communicated to EchoStar. EchoStar argued that it should only be required to produce documents that were provided to it by Merchant & Gould.

On October 5, 2005, the district court issued an order that clarified its previous order and stated that the waiver of immunity extended to all work product of Merchant & Gould, whether or not communicated to EchoStar. The district court determined that the documents could be relevant or lead to the discovery of admissible evidence because they might contain information that was conveyed to EchoStar, even if the documents were not themselves conveyed to EchoStar. EchoStar petitions this court for a writ of mandamus with respect to the Merchant & Gould documents not provided to EchoStar,[2] challenging the district court's rulings. Merchant & Gould moves for leave to intervene in EchoStar's petition and submits its own petition for a writ of mandamus.

II

The remedy of mandamus is available in extraordinary situations to correct a clear abuse of discretion or usurpation of judicial power. *In re Calmar, Inc.*, 854 F.2d 461, 464 (Fed. Cir. 1988). A party seeking a writ bears the burden of proving that it has no other means of obtaining the relief desired, *Mallard v. U.S. Dist. Court*, 490 U.S. 296, 309 (1989), and that the right to issuance of the writ is "clear and indisputable," *Allied Chem. Corp. v. Daiflon, Inc.*, 449 U.S. 33, 35 (1980). A writ of mandamus may be sought when the

[2] No in-house counsel documents are at issue in the petition.

challenged order turns on questions of privilege. *In re Regents of Univ. of Cal.*, 101 F.3d 1386, 1387 (Fed. Cir. 1996); *In re Pioneer Hi-Bred Int'l, Inc.*, 238 F.3d 1370, 1374 (Fed. Cir. 2001).

EchoStar argues that a writ of mandamus should issue, among other reasons, because the district court erred in determining that (1) the attorney-client privilege had been waived and (2) the waiver of any privilege extended to work-product that was not communicated to EchoStar because, *inter alia*, the documents are not relevant to whether EchoStar had a good faith belief that it did not infringe. Merchant & Gould also argues that the district court erred in requiring the production of documents that Merchant & Gould did not provide to EchoStar because any such documents could not be relevant to whether EchoStar reasonably had a good faith belief that it did not infringe, based upon advice from counsel.

In response, TiVo argues, *inter alia*, that (1) EchoStar is not entitled to a writ of mandamus because it has complied, in large part, with the district court orders it now challenges, (2) the attorney-client privilege was waived when EchoStar asserted a defense of reliance on advice of in-house counsel, (3) the relevance of the Merchant & Gould documents can be determined when they are offered as evidence, and (4) even though the Merchant & Gould documents may not have been provided to EchoStar, they may contain information that was otherwise conveyed to EchoStar.

Regarding TiVo's first argument, that EchoStar is not entitled to mandamus because it has complied in large part with the order, we do not believe it is a requirement that a party refuse to comply at all with an order, if it seeks to challenge only a part of the order. Such a rule would encourage parties not to comply with district court orders that, in large part, they do not challenge, so that they could preserve a challenge only to the portions that they believe are

erroneous. EchoStar cannot undo the disclosures it has made to TiVo, but it can challenge the portions of the order that require additional disclosures.

We now turn to the more substantive arguments underlying this petition.

III

In this petition, we apply our own law, rather than the law of the regional circuit. This case involves the extent to which a party waives its attorney-client privilege and work-product immunity when it asserts the advice-of-counsel defense in response to a charge of willful patent infringement. "Federal Circuit law applies when deciding whether particular written or other materials are discoverable in a patent case, if those materials relate to an issue of substantive patent law." *Advanced Cardiovascular Sys. v. Medtronic, Inc.*, 265 F.3d 1294, 1307 (Fed. Cir. 2001). A remedy for willful patent infringement is specifically provided for in the Patent Act, *see* 35 U.S.C. §§ 284-285; therefore, questions of privilege and discoverability that arise from assertion of the advice-of-counsel defense necessarily involve issues of substantive patent law, *see In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 803-04 (Fed. Cir. 2000) (applying Federal Circuit law to question of attorney-client privilege between patent attorney and patentee).

A

EchoStar first challenges the district court's holding that EchoStar waived the attorney-client privilege when it asserted its defense in response to the charge of willful infringement. The attorney-client privilege protects disclosure of communications between a client and his attorney. *United States v. Zolin*, 491 U.S. 554, 562 (1989); *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981).

Once a party announces that it will rely on advice of counsel, for example, in response to an assertion of willful infringement, the attorney-client privilege is waived. "The widely applied standard for determining the scope of a waiver of attorney-client privilege is that the waiver applies to all other communications relating to the same subject matter." *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005).

EchoStar argues that it did not assert the advice-of-counsel defense because it intended to rely only on an "in-house investigation supervised by in-house counsel." The district court held that the opinion formed by in-house counsel and conveyed to EchoStar executives, although not a traditional opinion of counsel, constituted a legal opinion. We see no error in the district court's determination.

EchoStar summarily asserts that "an internal investigation involving in-house engineers and in-house counsel is simply a different subject matter from legal opinions commissioned at a later date from outside lawyers." This argument is without merit. Whether counsel is employed by the client or hired by outside contract, the offered advice or opinion is advice of counsel or an opinion of counsel. Use of in-house counsel may affect the strength of the defense, but it does not affect the legal nature of the advice. *See Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983) (*overruled in part on other grounds by Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) (*en banc*)).

Thus, when EchoStar chose to rely on the advice of in-house counsel, it waived the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter, including communications with counsel other than in-house counsel, which would include communications with Merchant & Gould. *See Akeva LLC v. Mizuno Corp.*, 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003).

B

EchoStar next asserts that the district court's order cast too wide a net by including within the waiver's scope documents that were never communicated from Merchant & Gould (the attorney) to EchoStar (the client). The district court stated:

> EchoStar had the benefit of choice, as explained by the Federal Circuit in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, of whether to introduce [in-house counsel's] opinion. But once EchoStar chose to introduce the opinion, it opened to inspection all related advice sought and developed regarding EchoStar's potential infringement of the '389 patent. Regardless of when the opinions or materials were transcribed or communicated to EchoStar, such information necessarily relates to the opinion being offered by [in-house counsel] and goes to show EchoStar's state of mind with respect to willful infringement. This is particularly true where, as is the case here, EchoStar's willfulness witness was privy to the substance of the willfulness opinions developed by outside counsel both pre- and post-filing. . . .

TiVo, Inc. v. EchoStar Comm. Corp., No. 2:04-CV-1, at 13 (E.D. Tex. Sept. 26, 2005) ("September Order"). Noting that district courts had ruled differently on whether the waiver of work-product protection covered documents that were not disclosed to the client, the district court discussed the reasons for requiring production of uncommunicated work product:

> Still, other courts have mandated production of all material regardless of whether they were disclosed, maintaining that the discovery of such information is necessary

> to uncover what the client was actually told by opinion counsel. *See Aspex Eyewear Inc. v. E'Lite Optik Inc.*, 276 F. Supp. 2d 1084, 1092-93 (D. Nev. 2003); *Novartis Pharms. Corp. v. EON Labs Mfg., Inc.*, 206 F.R.D. 396 (D. Del. 2002). In *Novartis*, the court stated, "it is critical for the patentee to have a full opportunity to probe, not only the state of mind of the infringer, but also the mind of the infringer's lawyer upon which the infringer so firmly relied." *Id.* at 399. The rationale behind this approach is that, by imposing broad waiver, the advice of counsel defense will only be invoked by "infringers who prudently and sincerely sought competent advice from competent counsel . . ." and "[m]oreover, focusing on the infringer's waiver rather than state of mind may reduce the chances of legal gamesmanship creeping into the practice of rendering infringement and validity opinions." *Id.* "[I]f negative information was important enough to reduce to a memorandum, there is a reasonable possibility that the information was conveyed in some form or fashion to the client." *Beneficial Franchise Co. Inc. v. Bank One N.A.*, 205 F.R.D. 212, 218 (N.D. Ill. 2001).

September Order at 11-12.

In a subsequent order, the district court further explained why the scope of the waiver should include work product that was not disclosed to EchoStar:

> Were discovery of "uncommunicated" materials not allowed, accused infringers could easily shield themselves from disclosing any unfavorable analysis by simply requesting that

> their opinion counsel not send it. This would be unfair.

TiVo, Inc. v. EchoStar Comm. Corp., No. 2:04-CV-1, at 3 (E.D. Tex. Oct. 6, 2005) ("October Order").

We review the district court's determination as to the scope of the waiver for an abuse of discretion. *In re Pioneer*, 238 F.3d at 1373 n.2 ("[I]t appears that virtually all the circuits review the decision of a district court [regarding waiver of privilege] underlying a petition for writ of mandamus for abuse of discretion."). EchoStar asserts that to apply the broad scope employed by the district court to the waiver of both attorney-client privilege and work-product doctrine was an abuse of discretion. We agree.

The attorney-client privilege and the work-product doctrine, though related, are two distinct concepts and waiver of one does not necessarily waive the other. *See Carter v. Gibbs*, 909 F.2d 1450, 1451 (Fed. Cir. 1990) (*en banc*), *superseded in non-relevant part*, Pub. L. No. 103-424, § 9(c), 108 Stat. 4361 (1994), *as recognized in Mudge v. United States*, 308 F.3d 1220, 1223 (Fed. Cir. 2002); *see also United States v. Nobles*, 422 U.S. 225, 238 n.11 (1975). In general, a party may obtain discovery of any matter that (1) is "not privileged" and (2) "is relevant to the claim or defense of any party." Fed. R. Civ. P. 26(b)(1). Among other things, attorney-client communications are designated as "privileged." *See Upjohn*, 449 U.S. at 389; *Genentech, Inc. v. Int'l Trade Comm'n*, 122 F.3d 1409, 1415 (Fed. Cir. 1997). "The attorney-client privilege protects the confidentiality of communications between attorney and client made for the purpose of obtaining legal advice." *Id.* We recognize the privilege in order to promote full and frank communication between a client and his attorney so that the client can make well-informed legal decisions and conform his activities to the law. *See Upjohn*, 449 U.S. at 389; *XYZ Corp. v. United States*, 348 F.3d 16, 22 (1st Cir. 2003). This privilege is at

the discretion of the client. *Knorr-Bremse*, 383 F.3d at 1345; *Carter*, 909 F.2d at 1451. The client can waive the attorney-client privilege when, for instance, it uses the advice to establish a defense. *See Id.* However, selective waiver of the privilege may lead to the inequitable result that the waiving party could waive its privilege for favorable advice while asserting its privilege on unfavorable advice. *XYZ Corp.*, 348 F.3d at 24. In such a case, the party uses the attorney-client privilege as both a sword and a shield. *Id.; Fort James Corp.*, 412 F.3d at 1349. To prevent such abuses, we recognize that when a party defends its actions by disclosing an attorney-client communication, it waives the attorney-client privilege as to all such communications regarding the same subject matter. *Id.*

In contrast to the attorney-client privilege, the work-product doctrine, or work-product immunity as it is also called, can protect "documents and tangible things" prepared in anticipation of litigation that are both non-privileged and relevant. Fed. R. Civ. P. 26(b)(3). Unlike the attorney-client privilege, which protects all communication whether written or oral, work-product immunity protects documents and tangible things, such as memorandums, letters, and e-mails. *See generally Judicial Watch, Inc. v. Dep't of Justice*, 432 F.3d 366 (D.C. Cir. 2005). We recognize work-product immunity because it promotes a fair and efficient adversarial system by protecting "the attorney's thought processes and legal recommendations" from the prying eyes of his or her opponent. *Genentech*, 122 F.3d at 1415 (citations omitted); *accord Hickman v. Taylor*, 329 U.S. 495, 511-14 (1947) ("Proper preparation of a client's case demands that he assemble information, sift what he considers to be the relevant from the irrelevant facts, prepare his legal theories and plan his strategy without undue and needless interference. . . . Were such materials open to opposing counsel on mere demand, much of what is now put down in writing would remain unwritten. . . . Inefficiency, unfairness

and sharp practices would inevitably develop in the giving of legal advice and in the preparation of cases for trial. The effect on the legal profession would be demoralizing. And the interests of the clients and the cause of justice would be poorly served."); *see also Nobles*, 422 U.S. at 237; *Coastal States Gas Corp. v. Dep't of Energy*, 617 F.2d 854, 864 (D.C. Cir. 1980). Essentially, the work-product doctrine encourages attorneys to write down their thoughts and opinions with the knowledge that their opponents will not rob them of the fruits of their labor. *Hickman*, 329 U.S. at 511; *Id.* at 516 (Jackson, J. *concurring*) ("[A] common law trial is and always should be an adversary proceeding. Discovery was hardly intended to enable a learned profession to perform its functions either without wits or on wits borrowed from the adversary."); *United States v. Adlman*, 68 F.3d 1495, 1501 (2d Cir. 1995) ("The purpose of the doctrine is to establish a zone of privacy for strategic litigation planning and to prevent one party from piggybacking on the adversary's preparation."); *Coastal States*, 617 F.2d at 864 (noting that the effect of no immunity would mean "less work-product would be committed to paper, which might harm the quality of trial preparation").

Like the attorney-client privilege, however, the work-product doctrine is not absolute. *See In re Martin Marietta Corp.*, 856 F.2d 619, 626 (4th Cir. 1988). First, a party may discover certain types of work product if they have "substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent . . . by other means." Rule 26(b)(3). This rule, however, only allows discovery of "factual" or "non-opinion" work product and requires a court to "protect against the disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative." *Id.; accord United States v. Adlman*, 134 F.3d 1194, 1197 (2d Cir. 1998); *Martin Marietta Corp.*, 856 F.2d at 626.

Second, a party may discover work product if the party waives its immunity. *See Id.* at 622-23; *Thorn EMI N. Am. v. Micron Tech.*, 837 F. Supp. 616, 621 (D. Del. 1993). However, work product waiver is not a broad waiver of all work product related to the same subject matter like the attorney-client privilege. *Martin Marietta Corp.*, 856 F.2d at 626. Instead, work-product waiver only extends to "factual" or "non-opinion" work product concerning the same subject matter as the disclosed work product. *See Id.* at 625 (noting that a party "impliedly waived the work-product privilege as to all non-opinion work-product on the same subject matter as that disclosed.") (*citing Nobles*, 422 U.S. at 239).

We recognize that the line between "factual" work product and "opinion" work product is not always distinct, especially when, as here, an attorney's opinion may itself be "factual" work product. When faced with the distinction between where that line lies, however, a district court should balance the policies to prevent sword-and-shield litigation tactics with the policy to protect work product.

That being said, we recognize at least three categories of work product that are potentially relevant to the advice-of-counsel defense here. They include: (1) documents that embody a communication between the attorney and client concerning the subject matter of the case, such as a traditional opinion letter; (2) documents analyzing the law, facts, trial strategy, and so forth that reflect the attorney's mental impressions but were not given to the client; and (3) documents that discuss a communication between attorney and client concerning the subject matter of the case but are not themselves communications to or from the client. *See Thorn EMI*, 837 F. Supp. at 622-623.[3] As to the first category, we already noted in section A that when a party

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[3] We by no means anticipate that all work product in every case will fit into one of these three categories.

relies on the advice-of-counsel as a defense to willful infringement the party waives its attorney-client privilege for all communications between the attorney and client, including any documentary communications such as opinion letters and memoranda. *See also Akeva LLC*, 243 F. Supp. 2d at 423.[4] As to the other two categories, scholars have noted that our prior opinions do not clearly define the scope of the work-product waiver.[5] As a result, the district courts that have addressed this issue are split on just how far to extend that scope. *Compare Thorn EMI*, 837 F. Supp. at 621-623 *and Steelcase, Inc. v. Haworth, Inc.*, 954 F. Supp. 1195, 1198-99 (W.D. Mich. 1997) *with Mushroom Assoc. v. Monterey Mushrooms, Inc.*, 24 U.S.P.Q.2d 1767 (N.D. Cal. 1992); *FMT Corp. v. Nissei ASB Co.*, 24 U.S.P.Q.2d 1073 (N.D. Ga. 1992); *and Handgards, Inc. v. Johnson & Johnson*, 413 F. Supp. 926 (N.D. Cal. 1976). As we discuss in more detail below, we conclude that waiver extends to the third category but does not extend so far as the second.

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[4] EchoStar contends that waiver of opinions does not extend to advice and work product given after litigation began. While this may be true when the work product is never communicated to the client, it is not the case when the advice is relevant to ongoing willful infringement, so long as that ongoing infringement is at issue in the litigation. *See Akeva LLC*, 243 F. Supp. 2d at 423 ("[O]nce a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of the alleged infringement."); *see also Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1351-1353 (Fed. Cir. 2001) (noting that an infringer may continue its infringement after notification of the patent by filing suit and that the infringer has a duty of due care to avoid infringement after such notification).

[5] *See* David O. Taylor, *Wasting Resources: Reinventing the Scope of Waiver Resulting from the Advice-of-Counsel Defense to a Charge of Willful Patent Infringement*, 12 Tex. Intell. Prop. L.J. 319, 320-21 (2004); William F. Lee & Lawrence P. Cogswell, III, *Understanding and Addressing the Unfair Dilemma Created by the Doctrine of Willful Patent Infringement*, 41 Hous. L. Rev. 393, 436-37 (2004).

By asserting the advice-of-counsel defense to a charge of willful infringement, the accused infringer and his or her attorney do not give their opponent unfettered discretion to rummage through all of their files and pillage all of their litigation strategies.

See Thorn EMI, 837 F. Supp. at 621-623 ("[C]ourts generally find a [work-product] waiver only if facts relevant to a particular, narrow subject matter are at issue and have been disclosed under circumstances where it would be unfair to deny the other party an opportunity to discover other facts relevant to that subject matter."). Work-product waiver extends only so far as to inform the court of the *infringer's* state of mind. Counsel's opinion is not important for its legal correctness. It is important to the inquiry whether it is "thorough enough, as combined with other factors, to instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable." *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992). It is what the alleged infringer knew or believed, and by contradistinction not what other items counsel may have prepared but did not communicate to the client, that informs the court of an infringer's willfulness.

The overarching goal of waiver in such a case is to prevent a party from using the advice he received as both a sword, by waiving privilege to favorable advice, and a shield, by asserting privilege to unfavorable advice. *See Fort James Corp.*, 412 F.3d at 1349; *Martin Marietta Corp.*, 856 F.2d at 626; *In re Sealed Case*, 676 F.2d 793, 818 (D.C. Cir. 1982) ("[W]hen a party seeks greater advantage from its control over work product than the law must provide to maintain a healthy adversary system[,] then the balance of interests recognized in Hickman . . . shifts."). To the extent the work-product immunity could have such an effect, it is waived.

The second category of work product, which is never communicated to the client, is not discoverable. Under Rule

26(b)(3), this so-called "opinion" work product deserves the highest protection from disclosure. *See Adlman*, 134 F.3d at 1197. While an accused infringer may waive the immunity for work product that embodies an opinion in letters and memorandum communicated to the client, he does not waive the attorney's own analysis and debate over what advice will be given. *See Ortho Pharm.*, 959 F.2d at 944. Upon waiver of attorney-client privilege, communicative documents, such as opinion letters, become evidence of a non-privileged, relevant fact, namely what was communicated to the client, *see Nobles*, 422 U.S. at 239 n.14 ("[W]here . . . counsel attempts to make a testimonial use of [work-product] materials the normal rules of evidence come into play with respect to . . . production of documents."); however, counsel's legal opinions and mental impressions that were not communicated do not acquire such factual characteristics and are, therefore, not within the scope of the waiver. As the *Martin Marietta Corp.* court noted,

> There is relatively little danger that a litigant will attempt to use a pure mental impression or legal theory as a sword and as a shield in the trial of a case so as to distort the fact-finding process. Thus, the protection of lawyers from the broad repercussions of subject matter waiver in this context strengthens the adversary process, and, unlike the selective disclosure of evidence, may ultimately and ideally further the search for the truth.

856 F.2d at 626. Thus, if a legal opinion or mental impression was never communicated to the client, then it provides little if any assistance to the court in determining whether the accused knew it was infringing, and any relative value is outweighed by the policies supporting the work-product doctrine.

The third category of work product material falls admittedly somewhere interstitially between the first and second. In some instances there may be documents in the attorney's file that reference and/or describe a communication between the attorney and client, but were not themselves actually communicated to the client. For example, if an attorney writes a memorandum or an e-mail to his associate referencing a phone call with the client, in which he indicates that he discussed the client's potential infringement, then such a memorandum is discoverable. Unlike work product that was uncommunicated, this work product references a specific communication to the client. Though it is not a communication to the client directly nor does it contain a substantive reference to what was communicated, it will aid the parties in determining what communications were made to the client and protect against intentional or unintentional withholding of attorney-client communications from the court.

Still, we must emphasize that such communications may contain work product of the second kind—legal analysis that was not communicated. In those situations, the parties should take special care to redact such information, and if necessary the district court may review such material *in camera. See* Rule 26(b)(3); *see also Id.* advisory committee's note (1970) ("[T]he courts will sometimes find it necessary to order disclosure of a document but with portions deleted."); *Martin Marietta Corp.*, 856 F.2d at 626.

Therefore, when an alleged infringer asserts its advice-of-counsel defense regarding willful infringement of a particular patent, it waives its immunity for any document or opinion that embodies or discusses a communication to or from it concerning whether that patent is valid, enforceable, and infringed by the accused. This waiver of both the attorney-client privilege and the work-product immunity includes not only any letters, memorandum, conversation, or the like between the attorney and his or her client, but also includes,

when appropriate, any documents referencing a communication between attorney and client.[6]

Here, Merchant & Gould work product that was not communicated to EchoStar or does not reflect a communication is not within the scope of EchoStar's waiver because it obviously played no part in EchoStar's belief as to infringement of the '389 patent. *See Steelcase*, 954 F. Supp. at 1198-99. It may very well be true, as TiVo suggests, that at times some parties would communicate draft opinion letters or the contents thereof to the client confidentially in order to avoid disclosing that communication during potential discovery if and when the attorney-client privilege is waived, but we cannot eviscerate the legitimate policies of the work-product doctrine and chill the principles of our adversary system as a whole on account of the possibility that, from time to time, there may be occurrences of ethical transgressions.

In sum, the advice-of-counsel defense to willfulness requires the court to decide, inter alia, whether counsel's opinion was thorough enough to "instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable." *Ortho Pharm.*, 959 F.2d at 944. If a Merchant & Gould document was not communicated to EchoStar or if a Merchant & Gould document does not reference a communication between Merchant & Gould and EchoStar, its relevant value is outweighed by the policies of the work-product doctrine.

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[6] Merchant & Gould contends that it alone retains the right to deny a party access to work product not communicated to a client. While we do not answer this question directly; here, the client, EchoStar, holds the right to waive privilege for attorney-client communications, *Carter*, 909 F.2d at 1451, and therefore the right to waive privilege to evidence of those communications contained in Merchant & Gould's files. As we stated before, there may be a redaction of information which reflects legal opinions and mental impressions of Merchant & Gould attorneys that were not communicated to EchoStar. Rule 26(b)(3).

Thus, it was an abuse of discretion for the district court to determine that the scope of the waiver of privilege extended to such documents.

Accordingly,

IT IS ORDERED THAT:

The petitions are granted. The district court is directed to vacate its orders, to the extent noted above. TiVo is entitled to discovery of Merchant & Gould documents consistent with, and in the manner set forth in, this opinion.

FOR THE COURT

May 1, 2006
Date

Arthur J. Gajarsa
Circuit Judge,
also before Judge Sharon Prost and Judge Alvin A. Schall

Appendix B

United States Court of Appeals for the Federal Circuit

MISCELLANEOUS DOCKET NO. 816

IN RE HOMER KNEARL, ECHOSTAR COMMUNICATIONS CORPORATION, ECHOSTAR DBS CORPORATION, ECHOSTAR TECHNOLOGIES CORPORATION, and ECHOSPHERE LIMITED LIABILITY COMPANY,

Petitioners.

May 8, 2006

ORDER

Homer Knearl and EchoStar Communications Corporation et al. petition for a writ of mandamus to direct the United States District Court for the Northern District of Georgia to vacate its order that requires disclosure of various documents that Knearl asserts are privileged. TiVo Inc. opposes.

Knearl is an attorney who provided legal services to EchoStar. The district court required that Knearl disclose to TiVo certain documents that Knearl had prepared but had not provided to EchoStar. Knearl asserted that the documents were privileged. In finding waiver of privilege, the Georgia district court in case no. 1:05-CV-2799 relied in part on the determination of the United States District Court for the Eastern District of Texas in *TiVo Inc. v. EchoStar Comm'ns Corp.*, district court case no. 2:04-CV-1. On May 1, 2006, we granted in part a petition for writ of mandamus directed to

the Texas district court's determination. *In re EchoStar Comm'ns Corp.*, — F.3d —, 2006 WL 1149528, Misc. 803, 805 (Fed. Cir. May 1, 2006).

In its February 28, 2006 order, the Georgia district court required that Knearl produce documents that included "the number of drafts of the opinion and related communications that were maintained by Mr. Knearl and those working with him on the project." The district court conducted an in camera review of the documents. The district court suggested that documents concerning "the evolution of the legal opinion rendered by Mr. Knearl" must be produced, as well as documents that would show "whether bias in favor of the party requesting it influenced the conclusions reached."

The court also stated that "this Court believes that a party against whom a legal opinion is offered is allowed to investigate the opinion's evolution to determine if there was any litigation bias reflected in it."

In *EchoStar*, we stated:

> Work-product waiver extends only so far as to inform the court of the *infringer's* state of mind. Counsel's opinion is not important for its legal correctness. It is important to the inquiry whether it is "thorough enough, as combined with other factors, to instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable." *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992). It is what the alleged infringer knew or believed, and by contradistinction not what other items counsel may have prepared but did not communicate to the client, that informs the court of an infringer's willfulness.

In re EchoStar, slip op. at 14.

Thus, to the extent that the district court directed Knearl to produce documents that were not previously communicated to EchoStar because the documents might show that counsel's opinion changed before counsel communicated the opinion to the client, or because counsel might have been disposed to write a favorable opinion, the court's order conflicts with our *EchoStar* order.

It remains unclear whether any of the documents could be compelled to be disclosed under other portions of our *EchoStar* order. In *EchoStar*, we held that opinion work product "which is never communicated to the client[ ] is not discoverable." *Id.* at 14. However, we stated that work product that was not communicated to the client but references or describes a communication between the attorney and client could be discovered. If that work product contains a legal analysis that was not communicated, the district court may if necessary review such material in camera to determine whether portions should be redacted or the parties should redact such legal analysis. *Id.* at 16. It is unclear, based upon the district court's description of the documents, whether any of the documents referenced or described a communication between the attorney and client and might be discoverable under *EchoStar*. Thus, we vacate the district court's order. The district court may conduct any additional proceedings necessary in view of our *EchoStar* order.

Accordingly,

IT IS ORDERED THAT:

(1) The petition is granted. The district court is directed to vacate its order requiring production of documents.

(2) All other motions are denied as moot.

FOR THE COURT

May 8, 2006
Date

Arthur J. Gajarsa
Circuit Judge, also before
Judge Sharon Prost and
Judge Alvin A. Schall

Appendix C

United States District Court for the Eastern District of Texas

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CIVIL ACTION NO. 2:04-CV-1 (DF)

TIVO INC.

Plaintiff

v.

ECHOSTAR COMM. CORP, ET AL.

Defendants.

October 6, 2005

ORDER OF CLARIFICATION OF THE COURT'S SEPTEMBER 26, 2005 OPINION AND ORDER

EchoStar asserted an advice of counsel defense to TiVo's allegations of willful patent infringement. On September 26, 2005, this Court ordered certain discovery related to this defense. Dkt. No. 357 ("Order"). The Order required, in part, that: "EchoStar . . . produce the two Merchant & Gould opinions and all notes, communications, or other documentation related to any infringement analysis of the '389 patent undertaken by Merchant & Gould." *Id.* at 14.

The parties now dispute the required scope of document production from the Merchant & Gould firm. TiVo maintains that the Order requires EchoStar to produce "not only . . .

communications, but also . . . notes and other work product related to any infringement analysis of the '389 patent undertaken by Merchant & Gould." 9/30/05 Letter from G. W. Chambers to the Court at 1, attached hereto as Exhibit 1.

Meanwhile, EchoStar takes the position that it need only produce documentation actually within its possession. 10/3/05 Letter from H. J. McElhinny to the Court at 1, attached hereto as Exhibit 2. Therefore, "undisclosed work papers" from the Merchant & Gould law firm have not been produced. *Id.* Under this interpretation, EchoStar maintains that it has complied with the Order. *Id.*

EchoStar also notes that any "undisclosed" documents "remain protected by Merchant & Gould's work product privilege, and Merchant & Gould has not waived that privilege." *Id.* at 1-2. EchoStar further argues that TiVo never requested "production of this undisclosed work product." *Id.*

Both parties have filed a number of papers on this issue. In at least one filing, TiVo argued that "EchoStar should be ordered to disclose all communications and documents from Merchant & Gould . . . that touch upon the advice of counsel defense EchoStar has chosen to rely on at trial." TiVo's Op. to Defendants' Protective Mot. For Recons. of the Court's Order of August 17, 2005. Dkt. No. 302 filed September 13, 2005.

DISCUSSION

Beneficial Franchise Co. Inc. v. Bank One N.A., cited in this Court's Order, discusses discovery of "uncommunicated" or "undisclosed" materials relating to an advice-of-counsel defense. 205 F.R.D. 212 (N.D. 111. 2001). In that case, the defendant in a patent infringement lawsuit obtained opinions of counsel to defend against an allegation of willfulness and to assert an equitable estoppel defense. *Id.* at 214. The court there analyzed the scope of both attorney-

client privilege and work product protection waiver and concluded that, where an advice of counsel defense is asserted, both privilege and work product protection are waived even as to "undisclosed" documentation. Agreeing with the rational in a prior case, the court explained that:

> [I]t would be fair to examine the client about what was in the attorney's files for the purposes of ascertaining whether, even if the negative documents were not disclosed to the client, the information in the documents had been revealed... Not all information conveyed to a client is neatly reflected in a transmittal letter or in a memorandum specifically directed to the client. The practical reality is that if negative information was important enough to reduce to a memorandum, there is a reasonable possibility that the information was conveyed in some form or fashion to the client.

Id. at 217-18 citing *Dunhall Pharma., Inc. v. Discus Dental, Inc.*, 994 F. Supp. 1202, 1205-06 (C.C. Cal. 1998).

Upon this rational, the court then ordered production of documents related to the advice of counsel opinions whether or not such documents had been disclosed to the defendant:

> As for any documents created by lawyers other than trial counsel, the Court finds no reason not to require their production as within the scope of the waiver, without limitation, [and] such documents must be produced irrespective of whether, on their face, they indicate that they were transmitted to [defendant].

Id. at 219. This Court is of a similar opinion. Were discovery of "uncommunicated" materials not allowed, accused infringers could easily shield themselves from disclosing any

unfavorable analysis by simply requesting that their opinion counsel not send it. This would be unfair.

Notably, however, the *Beneficial Franchise Co. Inc. v. Bank One N.A.*, court did not specifically address whether or not attorneys, other than trial counsel, in possession of the undisclosed documents had or could defend against such discovery by asserting their own work product protection.

The work product immunity is largely codified in Fed. R. Civ. P. 26(b)(3), which states in part:

> [A] party may obtain discovery of documents and tangible things otherwise discoverable . . . and prepared in anticipation of litigation or for trial by or for another party... only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means. In ordering discovery of such materials when the required showing has been made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation.

A party or "the person from whom discovery is sought" may move for a protective order where it believes discovery requests seek trial preparation materials. Fed. R. Civ. P. 26(c). The protection must first be asserted and the party asserting the protection then bears the burden of establishing that the protection applies. *See Resolution Trust Corp. v. Dabney*, 73 F.3d 262, 266 (10th Cir. 1995).

The purpose behind the work product protection differs from attorney-client privilege. "The attorney-client privilege

exists to protect confidential communications and to protect the attorney-client relationship and is waived by disclosure of confidential communications to third parties. The work product privilege, however, does not exist to protect a confidential relationship but to promote the adversary system by safeguarding the fruits of an attorney's trial preparations from the discovery attempts of an opponent." *Shields v. Sturm, Ruger & Co.*, 864 F.2d 379, 382 (5th Cir. 1989) (internal citations omitted).

The underlying notes and documentation created by the Merchant & Gould firm created in the course of drafting the two opinions of counsel is relevant to the advice-of-counsel defense whether or not it was disclosed or communicated to EchoStar. TiVo has clearly requested this documentation. EchoStar has waived both work product protection and attorney client privilege to these documents. Merchant & Gould has not independently asserted work product protection regarding these documents before this Court and given the purpose of the protection. Although Merchant & Gould may have actual possession of the documentation, it is within EchoStar's control. *See Hobley v. Chicago Police Commander Jon Burge, et al.*, 2005 U.S. Dist. LEXIS 911. *30 (N.D. 111. January 13, 2005) (defendant had control over documents created by and retained by defendants' former attorneys); *see also* WRIGHT, MILLER & MARCUS, FEDERAL PRACTICE AND PROCEDURE CIVIL 2d § 2209 (West 1994). Rule 34 requires parties to a lawsuit to produce documents within their "possession, custody, or control." Fed. R. Civ. P. 34(a).

Therefore, EchoStar is hereby **ORDERED** to produce all documents and materials created at or by the Merchant & Gould firm related to any infringement analysis of the '389 patent, whether or not communicated EchoStar and whether or not in EchoStar's actual possession as of October 6, 2005. EchoStar may redact any information that it considers unrelated to infringement or that it considers primarily

related to trial strategy. EchoStar will produce copies of the redacted materials to TiVo and will submit both redacted and un-redacted copies of the material to the Court for in camera review. EchoStar is to produce these materials no later than October 10, 2005 at 5 p.m.

SIGNED this 6th day of October, 2005.

DAVID FOLSOM
UNITED STATES DISTRICT JUDGE

Appendix D

United States District Court for the Eastern District of Texas

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CIVIL ACTION NO. 2:04-CV-1 (DF)

TIVO INC.

Plaintiff

v.

ECHOSTAR COMM. CORP, ET AL.

Defendants.

September 25, 2005

ORDER

INTRODUCTION

Before the Court are Plaintiff TiVo's Objections Regarding the Temporal Scope of the August 17, 2005 Order which Defendant EchoStar opposes. Also before the Court is EchoStar's Motion for Reconsideration of the Court's Order of September 12, 2005, attaching Defendant's Protective Motion for Reconsideration of the Court's Order of August 17, 2005 which was previously decided by Magistrate Judge McKee. The Court considers these pleadings, however styled, competing motions for reconsideration of Magistrate Judge McKee's August 17, 2005 Order and the related September 12, 2005 Order.

I.

BACKGROUND

A. Factual Background

TiVo alleges that EchoStar willfully infringes U.S. Patent No. 6,233,389 ("'389 patent"). TiVo argues that EchoStar has asserted an "advice of counsel" defense to this charge, having disclosed that it will rely on the non-infringement conclusions reached prior to the filing of this lawsuit by its in-house counsel, Kerry Miller. On June 16, 2005, shortly before the July 7, 2005 close of discovery, EchoStar for the first time disclosed that it planned to have Mr. Miller testify regarding his infringement investigation and the opinions he derived therefrom. TiVo argues this was an "eleventh hour" disclosure designed to inhibit TiVo's ability to seek discovery while EchoStar responds that the disclosure was timely per the parties' agreement. Dkt. Nos. 246 at 2 and 299 at 3.

EchoStar maintains that, shortly after the '389 patent issued, Mr. Miller worked with several EchoStar software and engineering employees to analyze EchoStar's potential infringement of the '389 patent. Dkt. No. 299 at 1-2. These EchoStar employees concluded that EchoStar did not infringe the patent. *Id.* EchoStar plans to call Mr. Miller to testify regarding this opinion at trial.

In addition to the infringement analysis conducted by Mr. Miller, EchoStar sought opinions of counsel from Bozicevic, Field & Frances, LLP, in 2001 and from the Merchant & Gould law firm after this lawsuit was filed. EchoStar maintains that it has not waived privilege regarding these opinions and/or communications because by relying on "an internal investigation[] conducted by a group of engineers and a single in-house lawyer . . . [its] defense rests on the premise that it looked at the patent's claims and at the features of its own products and itself identified a number of

differences that meant it was not infringing." Dkt. No. 337 at 2. Planning to rely upon "its internal investigation conducted in substantial part by engineers," EchoStar argues it is not asserting a "traditional 'advice of counsel' defense." Dkt. No. 162 at 5. Thus, it has not waived any privilege or work product protection. EchoStar further argues that, if the Court is to conclude that privilege has been waived, the waiver applies only to pre-litigation materials.

EchoStar admits it commissioned an opinion of counsel from the Bozicevic firm but maintains that it did not pursue a final opinion in light of Mr. Miller's analysis. *Id.* The Bozicevic firm apprised Mr. Miller orally that it would prepare an opinion letter that concluded EchoStar did not infringe the '389 patent, but the opinion was never finished. *See* Miller Depo. Tr. at 23:14-24:3. Soon after the lawsuit was filed, however, the Bozicevic firm turned over a draft opinion and a number of notes created in the course of its infringement analysis. EchoStar argues that because it did not receive this documentation from the firm until after the lawsuit was filed, the documentation should be considered "post-filing" material outside the scope of any waiver.

EchoStar further maintains that Merchant & Gould was hired to provide legal advice only after the lawsuit was filed, and that EchoStar has not waived privilege as to the two opinion letters that firm prepared. Mr. Miller admitted in deposition, however, that he has read both of the opinions drafted by the firm. Miller Depo. Tr. at 18:1-9.

TiVo argues that, having decided to assert the "advice of counsel" defense in response to the willfulness charge, EchoStar has waived privilege to all subject matter related to this defense. Therefore, TiVo seeks discovery of both post-filing and pre-filing opinions and communications.

TiVo has also requested leave from the Court to take depositions of all witnesses, including counsel, that TiVo identifies as potentially having testimony regarding the

advice of counsel defense. EchoStar objects to this request, in part, on the basis that the parties previously agreed to limit the amount of deposition time each would be allotted, and TiVo has already used its time.

B. Procedural History

Pursuant to the provisions of 28 U.S.C. § 636(b)(1) and (3) and the Amended Order for the Adoption of Local Rules for Assignment of Duties to United States Magistrate Judges dated January 15, 1994, TiVo's motion to compel discovery on the advice of counsel defense was referred to the Honorable Harry McKee for the purposes of hearing and determining said motion. Dkt. No. 160; *see also* Dkt. No. 150. On August 15, 2005, Judge McKee held a telephone conference to consider TiVo's motion and EchoStar's opposition. In his Order of August 17, 2005 ("August 17 Order"), Judge McKee found that EchoStar "waived the attorney client privilege as to all communications related to the patent in suit that occurred before TiVo initiated this action, but not as to any subsequent communications or opinions." Dkt. No. 177. Based on this finding, Judge McKee ordered EchoStar to produce "all such documents created before suit was filed, and make available any witnesses with knowledge of relevant pre-suit communications." *Id.*

EchoStar moved for clarification and then for reconsideration of the August 17 Order arguing that the scope of its waiver, if any, regarding the advice of counsel defense was not so broad as to allow for the discovery ordered. Dkt. Nos. 216 and 245. TiVo responded to the motion to clarify and EchoStar replied. Dkt. Nos. 233 and 234, respectively.

Judge McKee again heard from the parties and then issued an order on September 12, 2005. ("September 12 Order"). He found that EchoStar's reliance on Mr. Miller's non-infringement testimony waived privilege/work product protection but the scope of the waiver extended only to the

subject matter of the advice. "[T]herefore, EchoStar has waived privilege as to advice received concerning infringement, but TiVo may not discover any privileged information relating to the issue of validity." September 12 Order at 1-2.

Judge McKee also found that EchoStar's waiver extended to documentation concerning EchoStar's infringement of TiVo's '389 patent created by the Bozicevic firm. Although EchoStar received no formal written opinion from the firm, it received an oral opinion prior to filing and received the documentation developed to arrive at that opinion shortly after TiVo filed this lawsuit. Thus, Judge McKee found it was "reasonable to believe that the contents of the notes were communicated, to some degree, to EchoStar before suit was filed." September 12 Order at 2.

EchoStar was ordered to produce the Bozicevic firm's draft opinion as well as notes created in developing its opinion concerning infringement of the '389 patent. EchoStar was also ordered to produce any remaining documents pertaining to advice it received from counsel before suit was filed concerning infringement of the '389 patent. *Id.* at 2. Further, TiVo was allowed to depose each of the two attorneys that created the draft opinion and notes. *Id.* at 2-3.

EchoStar now moves for reconsideration of both the August 17 Order and the September 12 Order. EchoStar first argues that its reliance on Mr. Miller's opinion does not result in any privilege or work product protection waiver. Second, EchoStar argues that, if there has been waiver, the notes and communications with the Bozicevic firm not in EchoStar's possession at the time the lawsuit was filed are outside the scope of this waiver. Further, EchoStar takes issue with the order to make additional witnesses available for deposition. To the contrary, TiVo requests that the Court broaden Judge McKee's orders to permit TiVo to engage in discovery concerning the advice of counsel EchoStar

received both pre- and post-filing. Dkt. Nos. 246, 299, and 302.

II.

DISCUSSION

This Court may set aside or modify the Magistrate Judge's order only if the order was based on a clearly erroneous finding of fact or if it was contrary to law. *See* 28 U.S.C. 636(b)(1)(A). As explained below, the Court concludes that findings in the Magistrate Judge's August 17 Order and the related September 12 Order were clearly erroneous.

"For good cause, the court may order discovery of any matter relevant to the subject matter involved in the action." Fed.R.Civ.P. 26(b)(1)(2002). While the scope of discovery under this rule is broad, it is far from unlimited. The rule requires a district court, when considering a motion to compel, to determine whether the material sought is relevant to the subject matter of the litigation. The court must prevent discovery from being used as a fishing expedition. In addition to limiting discovery to material relevant to the subject matter of the litigation, Rule 26 provides for further limitations. A court may limit discovery when it is "obtainable from some other source that is more convenient, less burdensome, or less expensive." Fed.R.Civ.P. 26(b)(2)(2002). In addition, discovery should not be allowed when "the burden or expense of the proposed discovery outweighs its likely benefit." Fed.R.Civ.P. 26(b)(2)(2002).

The issues presented by the present motions are (1) the waiver of attorney-client privilege and work-product protection and (2) the scope of any such waiver. As an initial matter, the advice of counsel defense and the disclosure of an infringement opinion appears to fall within the realm of subjects "unique to patent cases," for which Federal Circuit law is controlling. *See In re Spalding Sports Worldwide Inc.*,

203 F.3d 800, 803-04 (Fed. Cir. 2000); *Sharper Image Corp. v. Honeywell Intern., Inc.* 222 F.R.D. 621, 625 n. 3 (N.D. Cal. 2004). However, the Federal Circuit has found, in context other than the advice of counsel defense, that privilege/work product protection waiver is a procedural matter for which the law of the regional circuit is applied. *In re Pioneer Hi-Bred Int'l, Inc.*, 238 F.3d 1370, 1374 (Fed. Cir. 2001). There is a split of authority among the district courts as to whether the scope of waiver resulting from the advice of counsel defense is a matter unique to patent law or a matter to be determined by precedent from the regional circuit courts. *Intex Rec. Corp. v. Metalast*, S.A., 2005 U.S. Dist. LEXIS 10149, *7-9 (D.D.C. March 2, 2005) (internal citations omitted). Finding that the scope of privilege/work product protection waiver as it relates to the advice of counsel defense to a willful infringement charge is an issue "unique to patent cases," this Court will look to Federal Circuit decisions regarding the defense. *See Intex Rec. Corp.*, 2005 U.S. Dist. LEXIS 10149, *8-9.

Willfulness is a factual determination made based on the totality of the circumstances. *Knorr-Bremse Systeme Für Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004) (en banc), *see also Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1530 (Fed. Cir. 1993). The Federal Circuit has identified a non-exclusive list of factors to assist the trier of fact in determining whether a putative infringer has engaged in willful infringement; on the list is whether an accused infringer, with knowledge of a patent, investigated the scope of the patent and formed a good-faith belief it was invalid or not infringed. *Read Corp v. Portec, Inc.*, 970 F.2d 816, 826-28 (Fed. Cir. 1987). These factors, along with any other relevant factors or circumstances, weigh in a fact-finder's determination of whether the accused infringer had a good-faith belief of noninfringement. Because willfulness is a question of the infringer's state of mind, the primary focus of the inquiry is on the reasonableness of the

infringer's beliefs and actions. *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992); *Am. Med.*, 6 F.3d at 1523, 1531 (Fed. Cir. 1993).

In a recent Federal Circuit decision, *Knorr-Bremse Systeme Für Nutzfahrzeuge GmbH v. Dana Corp.*, the court reversed its established precedent by holding that "an alleged infringer's failure to obtain or produce an exculpatory opinion of counsel" no longer creates an adverse inference that an opinion was, or would have been, unfavorable. 383 F.3d 1337, 1341 (Fed. Cir. 2004) (en banc). Prior to this opinion, an accused infringer all but had to produce an opinion of counsel, which in turn waived privilege. *Id.* at 1345. In *Knorr-Bremse*, the Federal Circuit effectively created a choice for defendants: "A defendant may of course choose to waive the privilege and produce the advice of counsel. However, the assertion of attorney-client and/or work-product privilege and the withholding of the advice of counsel shall no longer entail an adverse inference as to the nature of the advice." *Id.*

The scope of the privilege waived when a defendant chooses to rely on the advice of counsel, however, remains unresolved and has produced varying opinions. As Judge Brazil recently explained:

> While the courts generally agree that a defendant who invokes the "advice of counsel" defense to a claim of willfulness waives the protections of the attorney-client privilege for communications that occurred before the suit was filed and that relate to the subjects addressed in the invoked advice, there is considerable division of opinion about how far (if at all) the waiver extends to work product that counsel generated before the suit was filed but did not share with the defendant. . . . There also are sharp divisions of opinion about

> whether any waiver reaches into the period after the defendant was served with the complaint.

Sharper Image Corp. v. Honeywell Intern., Inc. 222 F.R.D. 621, 625 n. 4 (N.D. Cal. 2004) (internal citation omitted). Not surprisingly, these are precisely the issues involved here.

The scope of privilege/work product waiver, once an advice of counsel defense is asserted, should be guided by fairness. *See Intex Rec. Corp.*, 2005 U.S. Dist. LEXIS 10149, *10-13; *Saint-Gobain/Norton Indus. Ceramics Corp., v. Gen. Elec. Co.*, 884 F. Supp. 31, 33 (D. Mass. 1995). An accused infringer "is not required to rely upon advice of counsel as a defense against [a] claim of willful infringement; however, if an alleged infringer [] elects to defend against a charge of willful infringement by producing an opinion of counsel to the patentee, [] any privilege over that advice and related subjects is waived." *Texas Instruments, Inc. v. Hyundai Elec. Indus., Co. Ltd.*, 1999 U.S. Dist. LEXIS 21523, at *5-6 (E.D. Tex. Mar. 5, 1999) (Heartfield J.) (citing *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1109-10 (Fed. Cir. 1986). "Considerations of fairness require that a litigant should not be able to claim reliance on advice of counsel as a defense, and hence a sword in litigation, while at the same time asserting attorney-client privilege or work product doctrine as a shield to protect against the opposing party testing the legitimacy of that claim." *Intex Rec. Corp.*, 2005 U.S. Dist. LEXIS 10149, *10-11 (citations omitted).

A. The Extent of Waiver to Post-Filing Communications

In *Convolve, Inc. v. Compaq Computer Corp.*, 224 F.R.D. 98 (S.D. N.Y. 2004), the court found that waiver of the privilege "should extend from the time [the defendant] became aware of the plaintiffs' patents until such time in the future that [the defendant] ceases its alleged infringement." *Id.* at 104. The rationale underpinning such broad privilege waiver is that as long as the alleged infringement continues

so does an alleged infringer's duty to exercise due care and to seek the advice of counsel. As one court has stated:

> The waiver of attorney-client privilege or work product protection does not... exist solely at a particular point of time, such as when the client receives the opinion from counsel. As recognized by the Federal Circuit in [*Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336 (Fed. Cir. 2001)] because infringement is a continuing activity, the requirement to exercise due care and seek and receive advice is a continuing duty. Therefore, once a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of the alleged infringement. Consequently, the waiver of attorney-client privilege or work product protection covers all points of time, including up through trial. The waiver also is not limited to the advice given by opinion counsel. Since the waiver encompassed the subject matter of advice, that means that all opinions received by the client must be revealed, even those opinions the client receives from attorneys other than opinion counsel. Practical reasons exist for this rule. The exercise of due care requires a potential infringer to act reasonably. The infringer may not pick and choose between what opinions will be relied upon and which will be discarded. The totality of the circumstances test requires that all knowledge gained by the infringer relating to the advice subject matter must be revealed so that the fact-finder can make its own determination as to whether the reliance was reasonable.

AKEVA LLC v. Mizuno Corp., 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003) (citations omitted).

On the other side of the spectrum, some courts have found that waiver extends only to materials before litigation ensued. *See, e.g., Motorola, Inc. v. Vosi Tech., Inc.*, 2002 WL 1917256, *2 (N.D.Ill.2002) (limiting waiver to communications that preceded the filing of the suit); *Carl Zeiss Jena GmbH v. Bio-Rad Labs. Inc.*, 2000 WL 1006371, *2 (S.D.N.Y.2000) (same); and *Dunhall Pharm., Inc. v. Discus Dental, Inc.*, 994 F.Supp. 1202, 1206 (C.D.Cal.1998) (same). In *Dunhall*, the court stated: "Once the lawsuit is filed, the waiver of work product protection ends. This temporal limitation follows from the enhanced interest in protecting against disclosure of trial strategy and planning." *Dunhall Pharms. Inc.*, 994 F. Supp. at 1206.

Following this logic, discovery of infringement opinions arrived at by trial counsel may be denied while discovery of infringement positions arrived at by opinion counsel may be allowed, regardless of whether arrived at pre- or post-filing. *Sharper Image Corp.*, 222 F.R.D. at 640-46. Where documents or communications may contain both information related to the advice of counsel defense as well as information related solely to trial strategy, in camera review may be necessary. *See e.g. Saint-Gobain*, 884 F. Supp. at 34 (considering but denying as unnecessary in camera review).

B. The Extent of a Defendant's Knowledge

Likewise, courts differ regarding whether to extend waiver to attorney work product that is not communicated to the client but is developed while analyzing potential infringement. As explained in *Simmons, Inc. v. Bombardier, Inc.*, "[a]n important factor in determining whether a defendant willfully infringed upon another's patent is the defendant's reasonable reliance upon a competent opinion of counsel. However, the alleged infringer's intent — not that of counsel — remains the relevant issue." 221 F.R.D. 4, 9

(D.D.C. 2004) (citation omitted). Based on this reasoning, several courts have refused discovery of work-product materials, such as counsel's notes or even draft opinions, that were never sent to the client. *Id.; see also Nitinol Med. Techs. Inc. v. AGA Med. Corp.*, 135 F. Supp. 2d 212, 218-19 (D. Mass. 2000).

Still, other courts have mandated production of all material regardless of whether they were disclosed, maintaining that the discovery of such information is necessary to uncover what the client was actually told by opinion counsel. *See Aspex Eyewear Inc. v. E'Lite Optik Inc.*, 276 F. Supp. 2d 1084, 1092-93 (D. Nev. 2003); *Novartis Pharms. Corp. v. EON Labs Mfg. Inc.*, 206 F.R.D. 396 (D. Del. 2002). In *Novartis*, the court stated, "it is critical for the patentee to have a full opportunity to probe, not only the state of mind of the infringer, but also the mind of the infringer's lawyer upon which the infringer so firmly relied." *Id.* at 399. The rationale behind this approach is that, by imposing broad waiver, the advice of counsel defense will only be invoked by "infringers who prudently and sincerely sought competent advice from competent counsel . . ." and "[m]oreover, focusing on the infringer's waiver rather than state of mind may reduce the chances of legal gamesmanship creeping into the practice of rendering infringement and validity opinions." *Id.* "[I]f negative information was important enough to reduce to a memorandum, there is a reasonable possibility that the information was conveyed in some form or fashion to the client." *Beneficial Franchise Co. Inc. v. Bank One N.A.*, 205 F.R.D. 212, 218 (N.D. Ill. 2001).

Refusing to presume deceit, however, other courts have rejected this approach and have limited waiver to those materials actually communicated to the client. *See Chimie v. PPG Indus. Inc.*, 218 F.R.D. 416, 420 (D. Del. 2003).

C. Application

It is clear that, by offering Mr. Miller's testimony, EchoStar has asserted an advice of counsel defense to willfulness. Mr. Miller, EchoStar's in-house counsel, met with EchoStar technical staff on no fewer than two occasions specifically to determine whether EchoStar products fell within the scope of the '389 patent claims. 9/22/05 Hr. Tr. at ___ (representations by EchoStar counsel). Based on his analysis of the patent and input from other EchoStar employees, Mr. Miller formed an opinion as to why EchoStar products did not infringe any claims in the '389 patent. *Id.* He communicated this opinion to other EchoStar executives who in turn relied upon Mr. Miller's opinion. *Id.* EchoStar maintains this was "an internal investigation conducted in substantial part by engineers." Dkt. No. 162 at 5. Though EchoStar argues Mr. Miller's opinion does not amount to a "traditional" opinion of counsel, EchoStar admits that Mr. Miller's is a legal opinion. *Id.* and 9/22/05 Hr. Tr. at ___ (representations by EchoStar counsel).

In-house counsel, in conjunction with other in-house staff, are often called upon to investigate and render legal advice regarding the infringement or invalidity of a patent. *See Minn. Mining and Mfr. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559 (Fed. Cir. 1992); *Chiron Corp. v. Genentech, Inc.*, 268 F.Supp. 2d 1117 (E.D. Cal. 2002). Whether the resulting advice is relayed orally or in writing and whether the counsel rendering the advice is sufficiently independent to be considered objective goes to the competency of the opinion and the reasonableness of an accused infringer's reliance thereon – not to whether or not the advice amounts to "advice of counsel." *See Minn. Mining and Mfr.*, 976 F.2d at 1580-81; *Chiron Corp.*, 268 F.Supp. 2d at 1121-1122. Mr. Miller's oral opinion amounts to advice of counsel – and EchoStar's reliance on this advice in defense of the willfulness charge results in waiver. This conclusion cannot be circumvented by calling the opinion merely an

"internal investigation conducted in substantial part by engineers." Dkt. No. 162 at 5. The scope of the resulting waiver is then determined by the subject matter that a party relies upon. Because Mr. Miller offers only a non-infringement opinion, as found in the September 12 Order, this is the scope of the subject matter waiver.

EchoStar had the benefit of choice, as explained by the Federal Circuit in *Knorr-Bremse Systeme Für Nutzfahrzeuge GmbH v. Dana Corp,* of whether to introduce Mr. Miller's opinion. But once EchoStar chose to introduce the opinion, it opened to inspection all related advice sought and developed regarding EchoStar's potential infringement of the '389 patent. Regardless of when the opinions or materials were transcribed or communicated to EchoStar, such information necessarily relates to the opinion being offered by Mr. Miller and goes to show EchoStar's state of mind with respect to willful infringement. This is particularly true where, as is the case here, EchoStar's willfulness witness was privy to the substance of the willfulness opinions developed by outside counsel both pre- and post- filing. Miller Depo. Tr. at 23:14-24:3 and 18:1-9.

The Court notes that EchoStar is under a continuing duty to act in good faith, and this duty extends to actions after the filing of the lawsuit. TiVo is thus entitled to determine EchoStar's state of mind with regard to its post-filing actions as well as its pre-filing actions, and the latter opinions of counsel may go directly to this issue. To here deny TiVo the opportunity to question Mr. Miller regarding post-filing opinions and how they affect or might have affected the conclusions he reached pre-filing would be unfair. Thus, this Court finds that the scope of Defendant's waiver extends to all pre- and post-filing communications pertaining to advice of counsel on the issue of EchoStar's potential infringement of the '389 patent.

To uphold EchoStar's right to protect its trial strategy, however, EchoStar will be allowed to redact information that it views as solely related to such strategy. This, in the Court's opinion, reconciles the fear that such discovery could compromise trial preparation and give Plaintiff an unfair advantage with Plaintiff's inquiry into state of mind.

III.

ORDER

The Court, having considered the motions, responses, and all other relevant pleadings and papers, **ORDERS**:

EchoStar to produce all notes, communications, or other documentation relating to the infringement analysis of the '389 patent undertaken by Bozicevic, Field & Frances, LLP, at any time; and

EchoStar to produce the two Merchant & Gould opinions and all notes, communications, or other documentation related to any infringement analysis of the '389 patent undertaken by Merchant & Gould. EchoStar may redact any information that it considers unrelated to infringement or that it considers primarily related to trial strategy. EchoStar will produce copies of the redacted materials to TiVo and will submit both redacted and un-redacted copies of the material to the Court for in camera review. EchoStar is to produce these materials within seven (7) days of this order.

The Court further **ORDERS**:

EchoStar to produce Frank Becking, Alan Cannon, Kerry Miller, Homer Knearl, and Timothy Scull for deposition concerning their analysis of the '389 patent and any potential infringement by EchoStar. TiVo is granted an additional five (5) hours of deposition time; the allotment of this time per witness is left to TiVo's discretion. These witnesses are to be made available no later than October 14, 2005.

Signed this 26th day of September, 2005.

DAVID FOLSOM
UNITED STATES DISTRICT JUDGE

Appendix E

United States District Court for the Northern District of Georgia

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CIVIL ACTION NO. 1:05-CV-2799-WSD

TIVO INC.

Plaintiff

v.

ECHOSTAR COMM. CORP, ET AL.

Defendants.

February 28, 2006

ORDER

On February 13, 2006, the Court entered its order (the "February Order")[1] in response to EchoStar and Non-Party

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[1] The Court held a hearing on the motion to quash filed by Mr. Knearl and EchoStar. During the hearing, the Court acknowledged that EchoStar had filed a proceeding in the Federal Circuit challenging the production of certain work product. The Court specifically asked, and even encouraged, counsel for Mr. Knearl to consider whether he wanted this Court to stay consideration of the motion to quash pending a decision from the Federal Circuit. Mr. Knearl's counsel advised the Court that he wanted the Court to hear and decide the motion to quash, because he wanted the litigation to proceed in Texas and the issue regarding production thus needed to be resolved. Based on this representation, the

Homer Knearl's Joint Motion to Quash Subpoenas Served by TiVo, Inc. (the "Motion") [39]. The February Order describes the subpoenas and the litigation in which they were served. Generally, the subpoena seeks information from the files of counsel for EchoStar who provided a legal opinion that EchoStar has not infringed a patent issued to TiVo, Inc. ("TiVo"), relating to certain television programming storage technology. The district court in the Eastern District of Texas, before whom the patent litigation is pending, has held the attorney-client and work-product privileges were waived by EchoStar. This Court, from which the subpoenas were issued, is mindful of its obligation to construe carefully and fairly the subpoenas at issue here. That is, the Court has stated it is obligated to "balance the need to provide relevant, discoverable information to TiVo against the need to interpret reasonably the waiver of legal privileges." (February Order at 3.) To perform this balancing function, the Court required Mr. Knearl to submit materials responsive to the subpoenas to this Court for an *in camera* review.

Mr. Knearl submitted responsive materials on February 16, 2006, and the Court has completed its *in camera* review. From the review, the Court has determined that certain of the documents submitted are required to be produced, and further has concluded that certain additional procedures be put into place to protect the materials from further disclosure until the court in the Eastern District of Texas determines if any of the materials produced is admissible in the patent litigation. Before the Court identifies the documents to be produced and the process for the production, the Court offers some observations about the materials it has reviewed.

The documents reviewed *in camera* illustrate that Mr. Knearl apparently approached carefully his review of the

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Court issued its February Order on the motion and has conducted its *in camera* review.

patent and EchoStar's technology. He appropriately delegated to others in his firm work he required to reach his legal opinion. To the extent any part of the opinion was discussed with EchoStar before the opinion was finalized, the discussion appears to be limited to discussions to ensure Mr. Knearl correctly understood and described the technology at issue. In short, the documentation was, in this Court's view, remarkably consistent with the ordinary processing and completion of a legal assignment.

One unusual aspect of the materials produced for the Court's review is the number of drafts of the opinion and related communications that were maintained by Mr. Knearl and those working with him on the project. While that does not suggest any irregularity in the manner in which the opinion was prepared, it does result in a body of information which maybe provide insight into the evolution of the legal opinion rendered by Mr. Kneal. In any case where a legal opinion is offered as a defense to a claim, the possibility exists that the lawyer who drafted the opinion did so in such a way simply to support the requesting clients' litigation position in a case. The party against whom the opinion is offered is entitled to investigate the integrity and objectivity of the opinion and specifically whether bias in favor of the party requesting it influenced the conclusions reached. Here, Mr. Knearl has produced information about the opinion's evolution which may permit TiVo to investigate the objectivity and credibility of Mr. Knearl's legal analysis. The possibility of bias is most acute where a lawyer must interpret facts or law that is uncertain or gray. In this case, this Court simply is not knowledgeable enough about the technology or patent at issue to determine if an analysis of the evolution of the opinion might disclose that the author opted to draft the opinion by resolving gray or uncertain issues to strengthen EchoStar's litigating position. The Court expresses no opinion on what this evolution might show. The Court simply notes that a litigant has a permissible interest in

evaluating whether a legal opinion such as the one here was inappropriately biased in favor of the requesting party. Put another way, this Court believes a party against whom a legal opinion is offered is allowed to investigate the opinion's evolution to determine if there was any litigation bias reflected in it.

The Court addresses this issue by requiring a process that provides for a very limited review of the materials required to be produced, ultimately allowing the Court in the Eastern District of Texas to determine whether any of the materials this Court requires to be produced are permitted to be used in the litigation before it. If not, the disclosure of the information required to be produced should be limited to the person allowed by the order to conduct the review. The information should not be disclosed further. This, the Court believes, is the proper way to balance discovery requests against the need to acknowledge the important place legal privileges hold in our justice system.

Accordingly,

IT IS HEREBY ORDERED that Mr. Knearl is **ORDERED** to produce the documents enclosed in the packet transmitted today by Federal Express to counsel for Mr. Knearl. These documents (the "Produced Documents") shall be made available for inspection by Mr. Perry Goldberg, TiVo's outside counsel. The Produced Documents shall be produced for Mr. Goldberg's inspection on or before March 8, 2006. Mr. Goldberg shall review the documents to identify those specific materials TiVo will seek to introduce in the litigation. Mr. Knearl shall make a copy of the documents identified by Mr. Goldberg and deliver such copies to him (the "Identified Documents"). Mr. Goldberg may not copy or disclose the Identified Documents to any other person. Mr. Goldberg will request Judge Folsom to determine if the Identified Documents are admissible in the litigation pending in Texas. Judge Folsom shall determine what, if any,

restrictions will be placed on disclosure of any of the Identified Documents he will allow to be introduced at trial. Identified documents which are not admitted shall promptly be returned to counsel for Mr. Knearl.

SO ORDERED, this 28th day of February, 2006.

WILLIAM S. DUFFEY, JR.
UNITED STATES DISTRICT JUDGE

Appendix F

United States District Court for the Eastern District of Texas

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CIVIL ACTION NO. 2:04-CV-1 (DF)

TIVO INC.

Plaintiff

v.

ECHOSTAR COMM. CORP, ET AL.

Defendants.

May 16, 2006

ORDER

On May 1, 2005, the Federal Circuit issued a order in *In re EchoStar Communs. Corp.*, 2006 U.S. App. LEXIS 11162 (Fed. Cir. 2006), directing this Court to revise its previous orders, Dkt. Nos. 357 and 380, requiring production of certain documents from EchoStar's opinion counsel.

The Court hereby ORDERS EchoStar to produce all documents created by the Merchant & Gould law firm that relate to any infringement or validity analysis of the '389 patent where said documents (1) were communicated to EchoStar or (2) reflect a communication to EchoStar (i.e. documents that reference and/or describe a communication between opinion counsel and EchoStar). EchoStar may

redact any information that it considers unrelated to infringement or validity or that it considers primarily related to trial strategy. These documents shall be produced no later than May 19, 2006.

The Court's previous orders, Dkt. Nos. 357 and 380, are VACATED consistent with the present order. The order staying this discovery, Dkt. No. 386, is hereby VACATED.

SIGNED this 16th day of May, 2006.

DAVID FOLSOM
UNITED STATES DISTRICT JUDGE

Appendix G

United States District Court for the Northern District of Georgia

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CIVIL ACTION NO. 1:05-CV-2799-WSD

TIVO INC.

Plaintiff

v.

ECHOSTAR COMM. CORP, ET AL.

Defendants.

June 8, 2006

ORDER

This matter is before the Court following the May 8, 2006 entry of the order of the United States Court of Appeals for the Federal Circuit, Misc. Docket No. 816 (the "May 8, 2006 Order"), granting Petitioners Homer Knearl's, EchoStar Communications Corporation's, EchoStar DBS Corporation's, EchoStar Technologies Corporation's and EchoSphere Limited Liability Company's (the "Petitioners") Petition for Writ of Mandamus (the "Petition"). In the Petition, Petitioners challenged this Court's February 28, 2006 Order (the "February 28, 2006 Order"), denying Petitioners' motion to quash a subpoena for the production of certain documents relating to a legal opinion rendered by Mr.

Knearl for use in a patent infringement action being prosecuted by TiVo, Inc., against EchoStar Communications Corporation, and related companies, in the United States District Court for the Eastern District of Texas (the "Texas Litigation").

The May 8, 2006 Order was based on the Federal Circuit's order in the companion mandamus action styled *In re EchoStar Commc'ns Corp.*, --- F.3d ---, 2006 WL 1149528, Misc. 803, 805 (Fed. Cir. May 1, 2006) (the "EchoStar Order"). In the May 8, 2006 Order, the Federal Circuit held that the February 28, 2006 Order conflicted with the EchoStar Order "to the extent that the district court directed Knearl to produce documents that were not previously communicated to EchoStar because the documents might show that [Mr. Knearl]'s opinion changed before counsel communicated the opinion to the client, or because counsel might have been disposed to write a favorable opinion . . . ." (May 8, 2006 Order at 2.) These uncommunicated materials were not required to be produced. The Federal Circuit found discoverable material communicated by counsel to EchoStar and material which references or describes communications between the attorney and client. (*Id.* at 3.) The Federal Circuit held further that if material which is discoverable "contains a legal analysis that was not communicated, the district court may if necessary review such material in camera to determine whether portions should be redacted or if the parties should redact such legal analysis." (*Id.*) Because the Federal Circuit could not determine if any of the material the Court required to be produced "referenced or described a communication between the attorney and client and might be discoverable under EchoStar," it vacated the February 28, 2006 Order, but

permitted this Court to conduct any additional proceedings necessary in light of the May 8, 2006 Order.[1]

Having considered carefully the Federal Circuit's May 8, 2006 Order, this Court requires Mr. Knearl to produce materials responsive to the subpoena that were delivered, or the content of which was disclosed in whole or in part, to EchoStar or which reference, describe or disclose a communication with EchoStar. To the extent Mr. Knearl contends portions of any materials are not required to be disclosed, he should submit a copy of such material to the Court for in camera review, clearly identifying the portions Mr. Knearl contends are entitled to be withheld.[2]

Accordingly,

IT IS HEREBY ORDERED that Mr. Knearl produce on or before June 19, 2006, any materials responsive to the subpoena which are required to be produced pursuant to this Order and submit to the Court, by June 30, 2006, those

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[1] TiVo has petitioned for Panel Rehearing or Rehearing En Banc (the "Rehearing Petition") of the decision to exclude from discovery materials responsive to the subpoena that were not communicated or do not reflect a communication. The Petition, if successful, may require the production of additional information in response to the subpoena. The Rehearing Petition does not affect the responsibility imposed on Mr. Knearl by the May 8, 2006 Order to produce materials which embody a communication between Mr. Knearl and EchoStar concerning the Texas Litigation or which otherwise were disclosed to EchoStar, and materials that discuss or reference communications between Mr. Knearl and EchoStar concerning the Texas Litigation.

[2] TiVo has requested the Court to require Mr. Knearl to prepare a privilege log to be delivered to TiVo. The request is consistent with the requirement of Rule 26(b)(5) of the Federal Rules of Civil Procedure. For any material withheld, Mr. Knearl shall prepare a privilege log on which at least the following information is provided for each withheld item: date, author, addressee and copy recipients, document type (e.g. email, letter, memorandum) and a summary description of the content of the communication.

materials for which Mr. Knearl requests the Court to conduct an in camera review.

IT IS FURTHER ORDERED that Mr. Knearl provide to Plaintiff the privilege log of withheld materials contemporaneous with its June 19, 2006 production of materials.

IT IS FURTHER ORDERED that the Court's February 28, 2006 Order is VACATED.

SO ORDERED, this 8th day of June, 2006.

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WILLIAM S. DUFFEY, JR.
UNITED STATES DISTRICT JUDGE

Appendix H

United States District Court for the Eastern District of Texas

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CIVIL ACTION NO. 2:04-CV-1 (DF)

TIVO INC.

Plaintiff

v.

ECHOSTAR COMM. CORP, ET AL.

Defendants.

August 17, 2006

ORDER

Before the Court is Plaintiff TiVo's Motion for Treble Damages and for a Determination that this is an "Exceptional Case" Entitling TiVo to Recover Attorneys' Fees. Dkt. No. 734. Also before the Court is Defendants' opposition and Plaintiff's reply. Dkt. Nos. 739 and 752, respectively. On June 28, 2006 the Court heard the parties on this motion. Having considered the motion, all other relevant briefing, and the applicable law, the Court finds Plaintiff's Motion for Treble Damages and for a Determination that this is an "Exceptional Case" Entitling TiVo to Recover Attorneys' Fees should be **DENIED**.

I. BACKGROUND

In this patent infringement action, Plaintiff claimed a number of Defendants' digital video recorders[1] ("DVRs") infringe several claims in Plaintiff's U.S. Patent No. 6,233,389 (the "'389 patent"). In March 2006-April 2006, the case was tried to a jury. The jury found that Defendants' accused DVRs infringed each of the asserted claims and further found that Defendants' infringement was willful. None of the asserted claims was found inval*Id.* The jury awarded Plaintiff $73,991,964 million in compensatory damages. Plaintiff now moves for treble damages and a determination that this was an "exceptional case" warranting attorneys' fees. Defendants oppose.

II. LEGAL PRINCIPLES

A. Enhanced Damages

Under 35 U.S.C. § 284, "the court may increase the damages up to three times the amount found or assessed." Enhanced damages are punitive, not compensatory, and therefore the imposition of such damages requires some degree of culpability. *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 (Fed. Cir. 1996).

Determining whether to enhance damages requires a two-step process. First the fact-finder must determine whether an infringer is guilty of conduct upon which increased damages may be based. *Id.* The first step is satisfied where the accused infringer has acted in bad faith, either by engaging in vexatious litigation or in willful infringement. *Id.*

Second, exercising its sound discretion, the court determines whether, and to what extent, to increase the damages award given the totality of the circumstances. *Id.* "The paramount determination in deciding to grant

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[1] The following of Defendants' DVR receivers were found to infringe: DP-501; DP-508; DP-510; DP-522; DP-625; DP-721; DP-921; and the DP-942.

enhancement and the amount thereof is the egregiousness of the defendant's conduct based on all the facts and circumstances." *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992).

Although the determination of whether to enhance damages is made in light of the totality of the circumstances, the Federal Circuit has compiled a non-exhaustive list of factors to consider (the "*Read* factors"): (1) whether the infringer deliberately copied the ideas of another; (2) whether the infringer investigated the scope of the patent and formed a good faith belief that it was invalid or not infringed; (3) the infringer's behavior as a party to the litigation; (4) the defendant's size and financial condition; (5) the closeness of the case; (6) the duration of the defendant's misconduct; (7) remedial action by the defendant; and (8) the defendant's motivation for willfully infringing. *Id.*

B. Attorney Fees

Section 285 provides, "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285 (2000). Determining whether a case is exceptional and, thus, eligible for an award of attorney fees under § 285 is a two-step process. *Cybor Corp. v. FAS Techs.*, 138 F.3d 1448, 1460 (Fed. Cir. 1998). "First, the district court must determine whether a case is exceptional, a factual determination reviewed for clear error. After determining that a case is exceptional, the district court must determine whether attorney fees are appropriate. . . ." *Id.* (internal citation omitted); *Delta-X Corp. v. Baker Hughes Production Tools, Inc.*, 984 F.2d 410, 413 (Fed. Cir. 1993). Most often, a case is deemed "exceptional" because of bad faith actions, such as vexatious litigation, or after a jury verdict of willful infringement. *See Jurgens*, 80 F.3d at 1570. The district court judge has discretion in determining whether or not to award fees, even where the jury has found willful infringement. *Modine Mfg. Co. v. Allen Group, Inc.*, 917

F.2d 538, 543 (Fed. Cir. 1990). However, "when a trial court denies attorney fees in spite of a finding of willful infringement, the court must explain why the case is not 'exceptional' within the meaning of the statute." *Id.*

III. THE PARTIES' POSITIONS

Plaintiff moves for the trebling of all compensatory damages, including any supplemental damages and interest, and a determination that this is an exceptional case entitling it to recover all reasonable attorneys' fees incurred in this litigation. Dkt. No. 734 at 28.

Plaintiff argues that, based on all the *Read* factors, enhancement of damages "to the full extent authorized by Section 284" is warranted. *Id.* at 26. According to Plaintiff, the "most important factor" in considering whether or not to enhance damages is a good faith belief of non-infringement, which it argues Defendants did not have. *Id.* at 2.

According to Plaintiff, the jury's willfulness finding indicates that the jury found clear and convincing evidence that the Defendants had no reasonable basis to believe that their DVRs did not infringe the '389 patent. *Id.* at 3.

Anticipating Defendants' response, Plaintiff argues the jury's willfulness verdict should not be disregarded even though the Merchant & Gould ("M&G") opinion letters[2] were excluded from the jury trial. Plaintiff argues that the M&G letters were properly excluded because Defendants had not complied with their disclosure obligations. *Id.* at 4.

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[2] The Court has dealt with the admissibility of the M&G opinion letters at length on the record and has addressed the Defendants' discovery obligations at length both on the record and in docketed orders. Without setting forth the issues again here, it is sufficient to say that the Court excluded this evidence from the jury trial as it awaited a ruling from the Federal Circuit. The Federal Circuit ruled on May 1, 2006, after the jury trial had concluded. *In Re EchoStar Communications Corp.*, 448 F.3d 1294 (Fed. Cir. 2006).

Further, because Defendants did not rely on the M&G letters to defend against the willfulness charge, Plaintiff argues the exclusion of the letters could not have caused Defendants prejudice. *Id.* at 4-5. And, as the M&G letters came after four years of Defendants' infringement, Plaintiff argues the letters could not have formed the basis for a good faith belief of non-infringement. *Id.* at 5.

Plaintiff also argues that Defendants' conduct during this litigation weighs in favor of enhancing damages. Plaintiff charges Defendants with employing a litigation strategy of using their "superior size and wealth to overwhelm the far smaller" Plaintiff and which has led to wasting the resources of both Plaintiff and this Court. *Id.* at 6. According to Plaintiff, "numerous courts across the country have repeatedly sanctioned or chastised" Defendants for their litigation conduct "painting the unmistakable picture of a company without appropriate respect for the law." *Id.* at 6-7, citing cases.

Plaintiff claims Defendants have engaged in largely vexatious behavior: vexatious motion practice; vexatious discovery practice; and vexatious evidentiary objections. *Id.* at 8-13. Plaintiff also claims that Defendants' vexatious strategy led Defendants to purchase certain patents and to then file a "retaliatory lawsuit" before this Court. *Id.* at 13-14 citing *EchoStar Tech. Corp. v. TiVo. Inc., and Humax USA, Inc.*, Case No. 5:05-cv-00081-DF-CMC.

Plaintiff argues that Defendants, with a $13.5 billion market cap, is able to pay treble damages and, moreover, that "treble damages are necessary to effectively punish" Defendants for their conduct and to deter them from future misconduct. *Id.* at 14-15.

Regarding the "closeness of the case," Plaintiff argues none of the issues were close. *Id.* at 15. Plaintiff cites the jury's unanimous verdict, rendered after less than three hours of deliberation, finding for Plaintiff on every substantive

issue. *Id.* Plaintiff further cites to evidence and testimony that it argues demonstrate no issue was close. *Id.* at 16-21 addressing validity, infringement, willfulness, and damages.

Plaintiff argues that the duration of Defendants' misconduct began in May 2001 and is ongoing. *Id.* at 21. According to Plaintiff, Defendants have made no changes to the accused products despite the jury's infringement and willfulness findings but instead continue to infringe. *Id.* at 22. Plaintiff also indicates that Defendants are motivated by financial gain. *Id.* at 23-24. And, according to Plaintiff, some Defendants have attempted to conceal misconduct by certain Defendants. *Id.* at 24-25.

Because the jury determined that Defendants willfully infringe the '389 patent, Plaintiff argues the Court should find this to be an exceptional case and award Plaintiff attorneys' fees. *Id.* at 26. Plaintiff argues that the Read factors, as addressed above, should be considered in determining whether this is an exceptional case. *Id.* at 27. According to Plaintiff, "equity demands that [Defendants] bear the cost of the litigation it made necessary through it [sic] willful infringement, and which it greatly increased through its strategy of vexatious litigation." *Id.*

Defendants respond that Plaintiff's "paper-thin case for enhancement and attorneys' fees is premised on multiple legal errors. . .." Dkt. No. 739 at 1. According to Defendants, a willfulness finding is not tantamount to a finding of bad faith and there is "nothing in the record to suggest that the jury found that EchoStar acted in bad faith." *Id.* at 4-5. Defendants argue that an evaluation of the totality of the circumstances, including the *Read* factors, demonstrates that damages should neither be enhanced nor attorneys' fees awarded.

Defendants argue that Plaintiff has a weak willfulness case. According to Defendants, the evidence demonstrates that it began independently developing its own DVR

technology long before the '389 patent issued. *Id.* at 5-7. Defendants cite evidence that, shortly after the '389 patent issued, it independently conducted an in-house investigation and engaged outside counsel to evaluate whether its products infringed the patent. *Id.* at 7-8. These investigations concluded that Defendants' products did not infringe. *Id.* at 8-13. Its actions, Defendants argue, demonstrate that Defendants did not act egregiously or recklessly; instead, Defendants argue that the facts are "strikingly similar" to a recent Federal Circuit case that held such actions were reasonable and did not warrant a willfulness finding. *Id.* at 13 citing *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366, 1380 (Fed. Cir. 2005). As additional evidence their actions were reasonable, Defendants cite the M&G opinion letters, which concluded Defendants did not infringe. *Id.* at 14-16. Defendants then argue that the willfulness evidence in the record "falls far short of demonstrating" that Defendants acted in bad faith; instead, Defendants argue that Plaintiff's "evidence of bad faith is . . . non-existent." *Id.* at 16. According to Defendants, relying on the internal investigation performed by its engineers and in-house counsel was not reckless. *Id.* at 16-17. Defendants argue their reliance on the investigation was reasonable, despite its shortcomings (Defendants' in-house counsel rendered the opinion orally and did not address infringement under the doctrine of equivalents among other points). *Id.* at 16-19. Defendants further argue that Plaintiff's willfulness expert's analysis was legally and factually wrong. *Id.* at 19-22.

Defendants urge the Court to consider the M&G opinions in reaching its conclusion on enhancement. *Id.* at 22.

Regarding the remaining "*Read*" factors, Defendants argue that none of the factors supports the motion for enhanced damages. *Id.* at 23. Defendants argue their behavior throughout this litigation has been proper and not vexatious. *Id.* at 23-26. Specifically Defendants respond to Plaintiff's

alleg[illegible]n that it has been involved in a pattern of misconduct befo[illegible]umerous courts – each of the cases Plaintiff cites, however, involved "different issues, different causes of action, different counsel, and different courts." *Id.* at 23. Defendants also compile a list of Plaintiff's "misconduct" during the litigation. *Id.* 23-26. According to Defendants, their size and financial condition do not warrant enhancement because the proper focus is the infringer's conduct. *Id.* at 26. Defendants also argue that substantive issues were close, that no remedial action was necessary, that it was not motivated to harm Plaintiff, and that they did not hide their conduct. *Id.* at 26-29.

IV. DISCUSSION

No enhancement of damages is warranted.

As prior orders will attest, this Court has examined at length the evidence of willfulness and has addressed aspects of the Defendants' duty to disclose certain willfulness evidence. Shortly before the October 2005 trial setting, the original trial setting, Defendants filed a writ of mandamus with the Federal Circuit after this Court issued an order requiring certain discovery from Defendants' opinion counsel. Dkt. No. 380. Due to the Court's efforts to accommodate the parties' request for a three week trial, this action could not be reached in October 2005 due to the trial docket. Dkt. No. 397. The trial setting was continued to March 2006. At the time of the March 2006 setting, the appellate court had not ruled on the writ. Instead of indefinitely delaying this action, however, trial was held.

Prior to commencing trial neither party moved for a continuance on the basis that the appellate court had not yet ruled. On the fifth day of trial, however, Defendants made an oral motion to continue on this basis. Dkt. No. 692 at 7-8. The motion was denied. *Id.* However, because willfulness related discovery could not be completed absent a ruling on the writ, certain evidence was excluded from the trial. Per the

Court's rulings, Defendants were not allowed to introduce evidence that they sought and received two outside opinions of counsel, the M&G opinion letters. Nor were Defendants allowed to proffer witness testimony regarding the M&G opinion letters.

Defendants' M&G opinion letters were evidence that could have gone to demonstrate Defendants' state of mind at least to post-filing infringement. They illustrate a detailed, thorough analysis on which a fact finder might have determined Defendants reasonably relied. These opinions, combined with the evidence of Defendants' other actions, could demonstrate a lack of willfulness on Defendants' part. Defendants introduced testimony and evidence that they independently learned of the '389 patent shortly after it issued, that they convened more than one meeting between engineers and in-house counsel to analyze and compare the patent to its own devices, that in-house counsel formed an opinion of no infringement, that outside counsel was engaged and that it was Defendants' understanding that outside counsel reached the conclusion Defendants did not infringe. These actions were taken before litigation was initiated and without any indication from Plaintiff that a lawsuit would be filed. Once Plaintiff filed this action, Defendants then engaged different outside counsel and received detailed opinions finding no liability.

That the pre-suit opinions were not reduced to writing, and done largely by in-house counsel and employees, weighs against Defendants' reasonable reliance. However, the totality of the circumstances, including the *Read* factors, must be taken into account when determining whether to enhance damages. As Plaintiff admits, this is not a copying case. 6/28/06 Hr. Tr. at 9:7-8; *see also* Dkt. No. 739 at 7. Defendants worked to develop their own DVR device for a number of years even before Plaintiff's company had been formed. *Id.* at 6. Defendants took several steps, both before and after this lawsuit was filed, to investigate the scope of the

'389 patent and form a belief as to their liability. Although the jury rendered its unanimous decision after only a few hours of deliberation, this was a hard fought case. Both parties proffered volumes of evidence and lengthy witness testimony and a plaintiff's verdict was not assured. The evidence does not show Defendants acted in bad faith, nor does the jury's willfulness finding amount to a finding of bad faith.

It is not this Court's role to reweigh the evidence of infringement; the jury verdict stands. *Jurgens*, 80 F.3d at 1572. However, the Court must consider the willfulness evidence not before the jury when it made its determination. *See e.g. Delta-X*, 984 F.2d at 414. The excluded evidence, when considered along with the trial evidence, demonstrates that Defendants' actions were not in "wanton disregard" of Plaintiff's patent rights. *Johns Hopkins Univ. v. Cellpro*, 978 F. Supp. 184, 192 (D. Del. 1997). Thus, it would be inappropriate here to enhance damages based upon the jury's willfulness finding. *Id.*

Plaintiff also bases its enhanced damages request largely upon a consideration of the third *Read* factor, the infringer's behavior as a party to the litigation. Plaintiff accuses Defendants of engaging in vexatious conduct during litigation, citing not only a list of motions, objections, and discovery practices that it terms vexatious but also a collection of cases in which Defendants have been sanctioned or found to have acted in bad faith. Defendants respond with their own list of unsavory litigation tactics employed by Plaintiff, including "baseless" motions, instances of Plaintiff's counsel being remanded, Plaintiff's failed discovery motions, and so forth. Defendants also point out that Plaintiff's collection of other cases in which some or all current Defendants were parties each involve different counsel than in the present litigation.

As the Court has said a number of times on the record, nothing in this case has gone smoothly. A record number of motions have been filed – numerous discovery motions, motions in limine, dispositive motions, motions to exclude testimony, motions appealing rulings of the magistrates, etc. Despite the magistrate judge's many orders ruling on the excessive number of evidentiary objections lodged by the parties, Defendants filed objections to the vast majority of those rulings without an appropriate basis. Dkt. Nos. 451, 457, 468, 503, and 509. There is no question that both parties have contributed to the nearly 150 motions filed before this Court in this action to date.

Having presided over this case, it is apparent that the volume of motion practice is but one indication of the difficult, time-consuming, protracted style of litigation in which these parties have engaged, sapping the resources of both parties and of the Court. The actions Plaintiff complains amount to vexatious litigation by Defendants are defended as responsible advocacy; the Court would expect a similar response to Defendants' list of Plaintiff's "vexatious" tactics. Where the parties cannot agree on which way is up and which way is down, nor if it is day or night outside, it is impossible for the Court to say which party is responsible for the vexatious nature of this litigation. Unfortunately there have been times when counsel from each party failed to observe the local rules pertaining to the expected standards of conduct in this district. See Local Rule AT-3 and Dkt. No. 555. Thus, even if the Court were to infer a vexatious litigation strategy, no enhancement of damages is warranted.

Plaintiff's request that this case be designated an "exceptional" will also be denied. The request was made based on essentially the same factors as cited in support of its enhanced damages request. As discussed above, the jury's willfulness finding was reached without the evidence of Defendants' post-filing retention of opinion counsel. Considering the totality of the circumstances, Defendants'

actions were not egregious and reckless and therefore an exceptional case designation is not warranted on this basis. Further, as discussed above, Defendants' behavior during this litigation does not here warrant an exceptional case designation.

V. CONCLUSION

For all the above reasons, Plaintiff's Motion for Treble Damages and for a Determination that this is an "Exceptional Case" Entitling TiVo to Recover Attorneys' Fees, Dkt. No. 734, is hereby **DENIED**.

SIGNED this 17th day of August, 2006.

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DAVID FOLSOM
UNITED STATES DISTRICT JUDGE

Appendix I

United States District Court for the Eastern District of Texas

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CIVIL ACTION NO. 2:04-CV-1 (DF)

TIVO INC.

Plaintiff

v.

ECHOSTAR COMM. CORP, ET AL.

Defendants.

August 17, 2006

ORDER

Before the Court is Plaintiff TiVo's Motion for Entry of Judgment and Permanent Injunction. Dkt. No. 733. Also before the Court is Defendants' (1) Opposition to TiVo's Motion for Entry of Judgment and Permanent Injunction and (2) Cross-Motion to Stay Any Injunction Pending Appeal, TiVo's (1) Reply Re: Motion for Entry of Judgment and Permanent Injunction and (2) Opposition to EchoStar's Cross-Motion to Stay Injunction, and Defendants' Reply in Support of Cross-Motion to Stay Any Injunction Pending Appeal. Dkt. Nos. 737, 747, 754, respectively. On June 28, 2006 the Court heard the parties on these motions. Having considered the motions, all other relevant briefing, and the applicable law, the Court finds that Plaintiff's Motion for

Injunction should be **GRANTED** and Defendants' Motion to Stay Any Injunction Pending Appeal should be **DENIED**.

I. BACKGROUND

In this patent infringement action, Plaintiff claimed a number of Defendants' digital video recorders[1] ("DVRs") infringe several claims in Plaintiff's U.S. Patent No. 6,233,389 (the "'389 patent"). In March 2006-April 2006, the case was tried to a jury. The jury found that Defendants' accused DVRs infringed each of the asserted claims and further found that Defendants' infringement was willful. None of the asserted claims was found invalid. The jury awarded Plaintiff $73,991,964 million in compensatory damages.

Plaintiff now moves for entry of a permanent injunction. Defendants oppose any injunction and, alternatively, move to stay any injunction.

II. LEGAL PRINCIPLES

Recently the Supreme Court revisited the propriety of issuing permanent injunctions as a matter of course after a finding of infringement in patent cases. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839-1841 (U.S. 2006) (hereinafter "*eBay*"). Observing the existence of a "'general rule,' unique to patent disputes" that mandated the issuance of a permanent injunction once infringement and validity were decided, the Supreme Court explored the origins of this general rule and compared it to other instances in which courts are faced with deciding whether or not to issue equitable relief. *Id.* The Supreme Court determined that equitable relief is not mandatory in patent cases, but

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[1] The following of Defendants' DVR receivers were found to infringe: DP-501; DP-508; DP-510; DP-522; DP-625; DP-721; DP-921; and the DP-942.

instead should be decided in accordance with traditional equitable considerations. *Id.*

To this end, a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief:

> A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

Id. Further, the Supreme Court held that:

> [T]he decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards.

Id. It is clear that the Supreme Court by its decision did not intend to part with long-standing decisions in equity. As noted by Chief Justice Roberts, "there is a difference between exercising equitable discretion pursuant to the established four-factor test and writing on an entirely clean slate." *Id.* at 1841 (Roberts, C.J. concurring). And, as Justice Kennedy notes in his concurrence, "the existence of a right to exclude does not dictate the remedy for a violation of that right," which aligns equitable decisions in patent cases with other cases. *Id.* at 1842 (Kennedy, J. concurring).

"Once a plaintiff has met its burden in showing that an injunction is necessary, no delay in the issuance of that injunction is appropriate absent extraordinary circumstances." *Boehringer Ingelheim Betmedica, Inc. v.*

Schering-Plough Corp., 106 F. Supp. 2d 696, 708 (D.N.J. 2000) (internal quotation and citation omitted). In determining whether a stay is appropriate, courts consider four factors: "(1) whether the stay applicant has made a strong showing that he is likely to succeed on the merits; (2) whether the applicant will be irreparably injured absent a stay; (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and (4) where the public interest lies." *Standard Havens Prods. v. Gencor Indus., Inc.*, 897 F.2d 511, 512 (Fed. Cir. 1990). Each factor is not necessarily entitled to equal weight; a stay is discretionary with the Court.

III. THE PARTIES' POSITIONS

Plaintiff argues that each of the four equitable factors "overwhelmingly weigh[s] in favor of enjoining EchoStar's continuing infringement." Dkt. No. 733 at 7.

Regarding the first and second factors, Plaintiff argues that because it is in direct competition with Defendants, their infringement has "direct, severe consequences" on its ability to compete. *Id.* According to TiVo, Defendants specifically target potential TiVo customers and Defendants' competition leads to Plaintiff's loss of critical market share. *Id.* TiVo argues that loss of customers and loss of market share are irreparable injuries that cannot be recouped though monetary awards. *Id.* at 8. Without an immediate injunction, Plaintiff argues, "new DVR customers on the EchoStar platform will likely adopt EchoStar's competing devices instead of TiVo's." According to TiVo, "[t]hese customers are lost, probably for good." *Id.* at 8. TiVo cites evidence that customers tend to stay with their current DVR service providers, i.e. that they are "sticky customers." *Id.*

Plaintiff also argues that, because the DVR market is in its "formative years and is currently growing at exponential rates," Plaintiff risks being marginalized due to Defendants' infringement by the time the market matures. *Id.* at 9. Such

marginalization, Plaintiff argues, has been expressly recognized as a type of irreparable harm. *Id.*

Plaintiff further argues that it suffers irreparable harm from price erosion resulting from Defendants' offering the infringing products and service at "less than full value." *Id.* at 9-10. Plaintiff also argued Defendants' infringement has resulted in "value erosion" as potential business partners are reluctant to enter into agreements for the technology Defendants utilize for free. *Id.* at 10. Lastly, Plaintiff argues that Defendants' infringement causes irreparable harm insofar as it encumbers Plaintiff's ability to invest in its business and in additional research and development. *Id.* at 10.

Only an injunction, Plaintiff argues, can remedy the irreparable harm caused by Defendants' infringement. Without an injunction, Plaintiff argues it will lose market share, which is particularly important during the formative years of a market. *Id.* at 11. Such harms, Plaintiff argues, cannot be remedied with monetary damages. Plaintiff also argues that, absent an injunction, ongoing harm to its brand, reputation and good will cannot be remedied. *Id.* And, in the absence of an injunction, Plaintiff argues it will be unfairly forced into a compulsory license. Dkt. No. 747 at 6.

Addressing the third factor, Plaintiff argues that the balance of hardships weighs heavily in favor of enjoining Defendants' infringement. *Id.* at 12. Plaintiff argues that, because of its size and its dependence on its DVR technology, it will become extinct if it cannot exploit its technology in the market. *Id.* By contrast, Plaintiff argues that the EchoStar corporation is a multi-billion-dollar corporation whose primary business is providing satellite television signals. *Id.* Enjoining EchoStar's infringing DVRs will not affect its satellite transmissions, Plaintiff argues. *Id.* Thus, according to Plaintiffs, "an injunction causes EchoStar no hardship that is properly considered in

this balancing." *Id.* Plaintiff further argues that, because Defendants' infringement is willful, it cannot complain of hardship. *Id.*

Regarding the public interest, Plaintiff argues that no interest would be served by allowing Defendants' infringement to continue. *Id.* at 13. To the contrary, Plaintiff argues that the public's interest in patent rights and the patent system would be served by enjoining Defendants' infringement. *Id.*

Plaintiff argues, anticipating Defendants will request a stay of any injunction, that the four factors for determining whether a stay is appropriate each weigh against a stay in this case. *Id.* at 16.

Lastly, Plaintiff addresses the specifics of the injunction they seek. Plaintiff requests that Defendants be immediately enjoined from "making, using, selling, offering for sale, and/or importing into the United States all of its infringing DVR products..." including not only the accused products but also products that are not more than colorably different. 6/28/06 Hr. Tr. at 146:11-18; Dkt. No. 733 at 19 (internal citation omitted). The injunction must extend, Plaintiff argues, to "new placements" (newly sold DVRs) as well as "existing placements" (DVRs already placed with customers). Dkt. No. 733 at 20-21.

In response, Defendants argue Plaintiff faces no irreparable harm absent a permanent injunction. Dkt. No. 737 at 7. According to Defendants, Plaintiff's delay in bringing this lawsuit weighs against an injunction. *Id.* at 8. Defendants also charge that Plaintiff's motive in this lawsuit was only to "give TiVo additional leverage to force EchoStar and TiVo's other prospective business partners to make more favorable deals with TiVo." *Id.* Thus, Defendants argue, it is not reasonable to conclude Plaintiff will be irreparably harmed if Defendants are "allowed to continue providing DVRs to [their] own subscribers." *Id.* at 8.

Defendants cite Plaintiff's "failure to seek a preliminary injunction" as further evidence Plaintiff faces no irreparable harm. *Id.* Defendants then argue that Plaintiff stands to reap more money for its infringement than Plaintiff would make if Defendants were enjoined because, according to Defendants, Plaintiff could not have provided enough DVRs to its customers to accrue the "windfall" awarded by the jury. *Id.* at 8-9.

Defendants also argue that because the DVR market is not a two-player market, Plaintiff's arguments rest on a fallacy. *Id.* at 9. Defendants also cast Plaintiff's price erosion concerns as "mak[ing] little sense." *Id.* And, Defendants argue, Plaintiff's evidence of commercial success while the infringing products have been on the market demonstrate that Plaintiff will not suffer irreparable harm. *Id.* at 10.

According to Defendants, monetary damages will fully compensate Plaintiff for all of the existing placements of infringing DVRs. *Id.* at 10. Defendants argue that Plaintiff's counsel at trial represented that injunctive relief would only apply to new DVR placements. *Id.* at 11 citing trial transcript. This, according to Defendants, amounted to an admission that monetary relief is an adequate remedy for existing placements. *Id.* Defendants then argue that the same rate of compensation for the existing placements must also be adequate for any future placements. *Id.* And, based on Plaintiff's counsel's representation, Defendants argue that Plaintiff cannot now seek an injunction on existing placements. *Id.*

Defendants argue that the public interest would not be served by an injunction. *Id.* at 12. According to Defendants, the injunction Plaintiff proposes "would immediately remove DVRs from three million families who are innocent of any wrongdoing... [depriving] those families of DVRs and force[ing] them to incur significant disruption and expense in order to replace them." *Id.* at 12. Defendants argue this is

contrary to the public interest. *Id.* Denying an injunction, however, does "not harm the public interest in maintaining the integrity of the patent system" and, according to Defendants, will still leave Plaintiff in a better position than if Defendants had not infringed or if Defendants engaged in a business relationship with Plaintiff. *Id.* at 12-13.

Lastly, Defendants argue that the balance of hardships weighs against an injunction. *Id.* at 13. According to Defendants, Plaintiff faces no hardship if an injunction does not issue because monetary relief provides an adequate remedy at law. *Id.* However, Defendants argue, an injunction will cause them "severe and irremediable" harm. *Id.*

Defendants argue that enjoining their DVR sales will impact its ability to compete in the market for subscribers, leading to a "high risk of losing a significant percentage of existing subscribers, and... significantly impair[ing] [their] attracting new subscribers." *Id.* at 14. Defendant argues that small authorized distributors will also be severely impacted. *Id.*

Regarding the form of an injunction, Defendants argue only new placements should be enjoined because, at trial, Plaintiff's counsel represented that Plaintiff would seek only to enjoin new placements. *Id.* at 15-16. Now, Defendant argues, Plaintiff is bound to this limitation on injunctive relief. *Id.* Defendants also argue that because their DVRs have substantial non-infringing uses, Plaintiff's requested injunction is "improperly broad." *Id.* at 16. And, Defendants argue, the injunction should not extend to DVRs already distributed but not placed because they cannot infringe until the infringing software is downloaded. *Id.* at 17. Lastly, Defendants argue the injunction should extend only to the specific devices for which the jury found infringement. *Id.* at 17.

Should an injunction issue, Defendants argue a stay is warranted. Defendants argue that it is likely to prevail on its appeal of the infringement verdict. *Id.* at 19. Defendants list a number of claim construction and evidentiary rulings that they plan to appeal. *Id.* at 19-29. Largely reciting the same factors set forth in the discussion of the balance of hardships, Defendants argue they will be irreparably harmed absent a stay but that Plaintiff does not face such harm in the event of a stay. *Id.* at 29- 31. Again, reciting many of the arguments set forth above, Defendant argue that the public interest warrants a stay. *Id.* at 32-33.

In reply, Plaintiff defends the form of injunction it requests. Plaintiff points out that Defendant does not dispute that it can turn off the DVR functionality of the already placed infringing DVRs. Dkt. No. 747 at 10. Plaintiff argues that its counsel did not represent that the injunctive relief Plaintiff would seek was as limited as Defendants argue; instead, Plaintiff's counsel represented only that no injunction would be pursued on the infringing units for which lost profit damages are received. *Id.* at 12.

Plaintiff also argues that a stay is not warranted because of the severe irreparable harm it faces in the interim. *Id.* at 12-13, 22-24. Further, because the jury found that Defendants willfully infringe, their alleged injury absent a stay is the result of their own deliberate doing. *Id.* at 13. Plaintiff addresses Defendants' list of appellate points and disputes that there is any reason to conclude that Defendant has a likelihood of success on any of its points. *Id.* at 13-22. Thus, Plaintiff argues, the present is not an exceptional case wherein a stay of injunctive relief is warranted.

In surreply, Defendants argue that the public interest in maintaining the status quo pending appeal favors entry of a stay. Dkt. No. 754 at 5-6.

IV. DISCUSSION

A. Permanent Injunction

Following the traditional four-factor test for equitable relief, the Court concludes that a permanent injunction is warranted.

Plaintiff has demonstrated both that it continues to suffer irreparable harm in the absence of an injunction and that there is no adequate remedy at law. Defendants compete directly with Plaintiff – Defendants market their infringing products to potential DVR customers as an alternative to purchasing Plaintiff's DVRs. The availability of the infringing products leads to loss of market share for Plaintiff's products. Loss of market share in this nascent market is a key consideration in finding that Plaintiff suffers irreparable harm – Plaintiff is losing market share at a critical time in the market's development, market share that it will not have the same opportunity to capture once the market matures.

One thing the parties agree on is that DVR customers are "sticky customers," that is they tend to remain customers of the company from which they obtain their first DVR. Dkt. No. 737 at 30 (EchoStar); Dkt. No. 747 at 1 (Tivo). Thus, the impact of Defendants' continued infringement is shaping the market to Plaintiff's disadvantage and results in long-term customer loss. This is particularly key where, as is the case here, Plaintiff's primary focus is on growing a customer base specifically around the product with which Defendants' infringing product competes. And, as Plaintiff is a relatively new company with only one primary product, loss of market share and of customer base as a result of infringement cause severe injury. Thus, the Court concludes that the full impact of Defendants' infringement cannot be remedied by monetary damages.

Plaintiff's "delay" in bringing this lawsuit, which Defendants argue demonstrates there is no irreparable injury, was due to Plaintiff's attempts to enter into a business arrangement with Defendants. *See* Dkt. No. ___, Findings of Fact and Conclusions of Law. It does not demonstrate that there is no irreparable harm. Plaintiff's motives in bringing the lawsuit are irrelevant – the jury found Plaintiff's patent valid and infringed by Defendants' DVRs. The Court also finds the statement by Plaintiff's counsel cited by Defendants does not amount to an admission that monetary relief is adequate.

The balance of hardships weighs in favor of granting a permanent injunction. As discussed, Plaintiff faces ongoing irreparable injury as Defendants' infringement continues. As a relatively new and small company, every day of Defendants' infringement affects Plaintiff's business. And, as discussed above, Plaintiff's primary product, its DVRs, are those with which Defendants' infringing products directly compete. The harm caused by such infringement weighs heavily in favor of an injunction.

Enjoining Defendants will likely cause some harm – but on balance, Defendants will endure less harm than Plaintiff. The infringing products do not form the core of Defendants' satellite transmission business. And the injunction will not interfere with Defendants' satellite transmission.

The hardship of disabling DVR capabilities to Defendants' DVR customers is a consequence of Defendants' infringement and does not weigh against an injunction. Defendants do not dispute that, with software updates transmitted directly to the infringing products, the DVR capabilities of the infringing products can be disabled. This process, though cumbersome, is not on balance a weighty hardship for Defendants. Similarly, any impact of the injunction on Defendant's authorized distributors is also a consequence of Defendants' infringement and does not

weigh against an injunction. Again, distributors' sales of Defendants' core products will not be affected by the injunction.

Lastly, the public interest would not be disserved by a permanent injunction. The public has an interest in maintaining a strong patent system. This interest is served by enforcing an adequate remedy for patent infringement -- in this case, a permanent injunction. The infringing products are not related to any issue of public health or any other equally key interest; they are used for entertainment. The public does not have a greater interest in allowing Defendants' customers' to continue to use their infringing DVRs.

B. Stay of a Permanent Injunction

A stay of the permanent injunction is not warranted.

Defendants' identification of issues and rulings it plans to appeal is lengthy. Upon review, it seems that the Court has previously considered each at length. Although Defendants may prevail on some of the issues, they have not demonstrated a strong likelihood of success on appeal that would overturn the jury's verdict on all infringed claims.

Defendants raise appellate points regarding the Court's claim construction, but identify only one term, "decoder," common to both the hardware and software claims. Defendants' argue the proper construction of the term would "mandate a finding of non-infringement." Dkt. No. 737 at 26; Dkt. No. 754 at 14. In the half-page Defendants devote to this term in their brief, Defendants do not detail their argument for overturning the construction of this term. Dkt. No. 737 at 25-26.

As far as the exclusion of certain evidence, Defendants do not demonstrate that reversals of either of the rulings they identify for appeal will lead to overturning the infringement verdict on each of the asserted claims. In particular, the

exclusion of the Merchant & Gould opinion letters is primarily related to the jury's willfulness determination, and overturning this ruling may amount to a retrial on this issue alone.

Although the injunction will likely result in some degree of customer loss and will impact Defendants' ability to compete in the market, Defendants will not be irreparably harmed. Again, Defendants' core business is not the supply of DVRs. Defendants have not demonstrated that an injunction on the infringing products would have a severe financial impact on their core business or will lead to loss of employees. Defendants' authorized retailers will still be able to sell and service Defendants' non-infringing products. Conversely, absent a stay, Plaintiff faces ongoing irreparable injury as detailed above.

Lastly, Defendants' argument that the public interest in maintaining the status quo – allowing Defendants' current DVR customers and its retailers to continue business as usual – is served by granting a stay. Without a stronger showing that the jury's verdict will be overturned in its entirety on appeal, however, allowing the ongoing infringement is not within the public's interest.

C. Form of the Injunction

The Court will issue an injunction explicitly subject to 28 U.S.C. § 1498 contemporaneously with this order and its final judgment.

V. CONCLUSION

For all the above reasons, Plaintiff TiVo's Motion for Entry of Judgment and Permanent Injunction, Dkt. No. 733, is hereby **GRANTED** and Defendants' Cross-Motion to Stay Any Injunction Pending Appeal, Dkt. No. 737, is hereby **DENIED**.

SIGNED this 17th day of August, 2006.

DAVID FOLSOM
UNITED STATES DISTRICT JUDGE

Appendix J

United States District Court for the Eastern District of Texas

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CIVIL ACTION NO. 2:04-CV-1 (DF)

TIVO INC.

Plaintiff

v.

ECHOSTAR COMM. CORP, ET AL.

Defendants.

September 8, 2006

AMENDED FINAL JUDGMENT AND PERMANENT INJUNCTION

Pursuant to Rule 58 of the Federal Rules of Civil Procedure and in accordance with the jury verdict delivered on April 13, 2006 and with the Court's contemporaneously filed orders, the Court thereby enters judgment for Plaintiff against Defendants for willful infringement of U.S. Patent No. 6,233,389 ("'389 patent"), claims 1, 5, 21, 23, 32, 36, 52, 31 and 61 ("the Infringed Claims") by Defendants' following DVR receivers (collectively the "Infringing Products"): DP-501; DP-508; DP-510; DP-522; DP-625; DP-721; DP-921; and the DP-942. The jury in this case found EchoStar's infringement to be willful, but the Court, finding that EchoStar did not act in bad faith and that this is not an

"exceptional case," has determined that there should be no enhancement of damages and no award of attorneys fees pursuant to 35 U.S.C. Sections 284 and 285. The Court also enters judgment for Plaintiff on Defendants' counterclaims for declaratory judgment of non-infringement, invalidity, and unenforceability.

IT IS THEREFORE ORDERED THAT Plaintiff shall have and recover from Defendants, jointly and severally, the total sum of $73,991,964.00, together with prejudgment interest at the rate of prime, said prejudgment interest in the total sum of $5,367,544.00[1], together with supplemental damages in the amount of $10,317,108.00, together with post-judgment interest on the entire sum calculated pursuant to 28 U.S.C. § 1961. The amounts awarded in this judgment shall bear interest from the date of judgment at the lawful federal rate.

IT IS FURTHER ORDERED THAT

Each Defendant, its officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice hereof, are hereby restrained and enjoined, pursuant to 35 U.S.C. § 283 and Fed. R. Civ. P. 65(d), from making, using, offering to sell, selling, or importing in the Untied States, the Infringing Products, either alone or in combination with any other product and all other products that are only colorably different therefrom in the context of the Infringed Claims, whether individually or in combination with other products or as a part of another product, and from otherwise infringing

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[1] The prejudgment interest and supplemental damages award herein to not cover the time period from August 1, 2006 to the date of entry of this Order. Consistent with the contemporaneously filed order addressing prejudgment interest and supplement damages, the Court will award additional prejudgment interest and supplemental damages after receipt of additional information from Plaintiff's damages expert.

or inducing others to infringe the Infringed Claims of the '389 patent.

Defendants are hereby **FURTHER ORDERED** to, within thirty (30) days of the issuance of this order, disable the DVR functionality (i.e., disable all storage to and playback from a hard disk drive of television data) in all but 192,708 units of the Infringing Products that have been placed with an end user or subscriber. The DVR functionality, i.e., disable all storage to and playback from a hard disk drive of television data) shall not be enabled in any new placements of the Infringing Products.

Defendants shall forthwith provide written notice of this judgment, and the injunction ordered herein, to: their officers, directors, agents, servants, representatives, attorneys, employees, subsidiaries and affiliates, and those persons in active concert or participation with them, including any and all manufacturers, distributors, retailers, and service providers who have been involved in the making, using, selling, offering for sale or importing of any Infringing Products; and to all other persons or entities involved in any way with the making, using, selling, offering for sale or importing of any Infringing Products. Defendants shall take whatever means are necessary or appropriate to ensure that this order is properly complied with.

This injunction shall run until the expiration of the '389 patent.

This Court retains jurisdiction over Defendants to enforce any and all aspects of this Judgment and Permanent Injunction.

The Court further retains jurisdiction to award Plaintiff amounts for supplemental damages, interest, costs, attorneys fees and such other or further relief as may be just and proper.

All relief not specifically granted herein is denied. All pending motions not previously ruled on are denied. This is a Final Judgment and is appealable.

SIGNED this 8th day of September, 2006.

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DAVID FOLSOM
UNITED STATES DISTRICT JUDGE

Appendix K

United States Court of Appeals for the Federal Circuit

MISCELLANEOUS DOCKET NOS. 803, 805

IN RE ECHOSTAR COMMUNICATIONS CORPORATION, ECHOSTAR DBS CORPORATION, ECHOSTAR TECHNOLOGIES CORPORATION, and ECHOSPHERE LIMITED LIABILITY COMPANY,

Petitioners,

and

MERCHANT & GOULD P.C.,

Petitioner.

July 5, 2006

ORDER

A combined petition for panel rehearing and rehearing en bane having been filed by the Respondent, and responses thereto having been invited by the court and filed by the Petitioners[1], and the petition for rehearing and responses, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en bane and responses having been referred to the circuit judges who are in regular active service.

Upon consideration thereof, IT IS ORDERED THAT:

(1) The petition for panel rehearing is denied.

(2) The petition for rehearing en banc is denied.

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[1] Responses were filed by EchoStar Communications Corporation, et al., and Merchant & Gould, P.C.

FOR THE COURT

July 5, 2006
Date

Jan Horbaly
Clerk

Appendix L

United States Court of Appeals for the Federal Circuit

MISCELLANEOUS DOCKET NO. 816

IN RE HOMER KNEARL, ECHOSTAR COMMUNICATIONS CORPORATION, ECHOSTAR DBS CORPORATION, ECHOSTAR TECHNOLOGIES CORPORATION, and ECHOSPHERE LIMITED LIABILITY COMPANY,

Petitioners.

July 5, 2006

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Respondent, and the petition for rehearing, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service, UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

FOR THE COURT

July 5, 2006
Date

Jan Horbaly
Clerk